United Nations A/54/763

General Assembly

Distr.: General
21 February 2000

Original: English

Fifty-fourth session
Agenda item 151 (a)
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations: financing of the United Nations peacekeeping operations

Review of the rates of reimbursement to the Governments of troop-contributing States

Report of the Secretary-General

Summary

By its resolution 42/224 of 21 December 1987, the General Assembly decided that the rates of reimbursement to the Governments of troop-contributing States should be reviewed by the Secretary-General, in consultation with the troop-contributing States, if, in the light of inflation and currency-exchange fluctuations or other factors brought to the attention of the Secretary-General, the current rates appreciably affected the absorption factor of two or more of the troop-contributing States.

In its resolution 51/218 E of 17 June 1997, the General Assembly requested the Secretary-General to carry out a new survey of troop-contributing States as suggested in paragraph 12 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/50/1012). By the same resolution, the Assembly also requested the Secretary-General to keep the matter under review and to report thereon to the General Assembly.

00-31256 (E) 130300

For the purpose of the present review, cost information based on military salary scales in effect as of December 1996 was requested from the 64 Member States providing troops and military observers to United Nations peacekeeping operations at that time. The present report contains the results of the cost information made available by 26 Member States providing troops to United Nations peacekeeping operations and 11 Member States providing military observers in December 1996. Based on the cost information provided, the overall average absorption factor for 1996 was 53.9 per cent, which reflects an increase of 21.1 per cent above the average absorption factor of 32.8 per cent reported for 1991. It would appear, therefore, that an adjustment to the current rates may be warranted.

The action to be taken by the General Assembly at its fifty-fourth session is that it may wish to take into consideration the increase since 1991 in the average overall absorption factor and to decide whether an adjustment to the current standard rates of reimbursement for troops is warranted.

Contents

		Paragraphs	*Page*
I.	Introduction	1–7	3
II.	Considerations	8–10	4
III.	Troop costs	11–28	5
IV.	Observations	29–31	8
V.	Action to be taken by the General Assembly at its fifty-fourth session	32	9
Annexes			
I.	Summary of States providing military personnel to United Nations peacekeeping operations as at 31 December 1996 and replies received		10
II.	A. Average troop cost, per person per month, reported by the troop-contributing States for pay and allowances, United Nations reimbursement to troop-contributing States and the corresponding absorption factor in December 1996		12
	B. Comparison between the average troop cost, per person per month, reported by the troop-contributing States for overseas allowance and the United Nations rate of reimbursement in December 1996		13
III.	Average troop cost, per person, per month, reported by the troop-contributing States for the usage factor for personal clothing, gear and equipment, and personal weaponry (including ammunition), and the absorption factor at the reimbursement rate (US$ 70) in December 1996		14
IV.	Summary of absorption factors in respect of pay and allowances, inclusive of overseas allowance		15
V.	Average costs, per person per month, reported by Governments for maintaining other military personnel assigned to United Nations peacekeeping operations		16
VI.	Guidelines and questionnaire on the review of the rates of reimbursement to the Governments of troop-contributing States		17

I. Introduction

1. The General Assembly, in its resolution 42/224 of 21 December 1987, decided, *inter alia*, that the rates of reimbursement to the Governments of troop-contributing States should be reviewed by the Secretary-General, in consultation with the troop-contributing States, if, in the light of inflation and currency-exchange fluctuations or other factors brought to the attention of the Secretary-General, the current rates appreciably affected the absorption factor of two or more of the troop-contributing States. In addition, the Assembly requested the Secretary-General to report on the matter at least once every two years.

2. In section V, paragraph 2, of its resolution 51/218 E of 17 June 1997, the General Assembly requested the Secretary-General to carry out a new survey of troop-contributing States as suggested in paragraph 12 of the report of the Advisory Committee on Administrative and Budgetary Questions of 6 August 1996 (A/50/1012) and to include in that report a complete analysis of all services being provided to troops, together with an indication of the rationale for the provision of each service and how those services were administered and accounted for. In the same resolution, the Assembly also requested the Secretary-General to keep the matter under review and to report thereon to the General Assembly. The present report is submitted in accordance with that request.

3. Standard rates of reimbursement were initially established on the basis of a decision adopted by the General Assembly on 29 November 1974, at its twenty-ninth session (see A/PV.2303). These standard rates attempt to provide equal treatment to Member States and fix the level of reimbursement to be made to Governments of troop-contributing States for the costs incurred by them in providing troops for service in the United Nations peacekeeping forces. The rates of reimbursement, which initially took effect on 25 October 1973, were reviewed by the General Assembly in 1977, 1980, 1985, 1987, 1989 and 1991 and were revised in 1977, 1980 and 1991. A review of the background and development of reimbursement to Member States contributing troops to peacekeeping operations was provided in the report of the Secretary-General of 12 October 1989 (A/44/605/Add.1).

4. As mentioned in paragraph 3 above, the standard rates of reimbursement for troop costs were revised by the General Assembly in 1977, 1980 and 1991. The evolution of the standard rates of reimbursement is shown in the table below:

Standard rates of reimbursement
(Per person per month)

(United States dollars)

	Effective date			
	October 1973	*October 1977*	*December 1980*	*July 1991*
Pay and allowances, all ranks	500	680	950	988
Supplementary payment for specialists (25 per cent of logistics contingents and 10 per cent of other contingents)	150	200	280	291
Usage factor for personal clothing, gear and equipment, all ranks	-	65	65	65
Personal weaponry (including ammunition), all ranks	-	5	5	5

5. The rate of $65 per person per month for personal clothing, gear and equipment issued by Governments to their troops and the additional rate of $5 per person per month for personal weaponry, including ammunition, became applicable in accordance with a decision taken by the General Assembly at its 2440th meeting, on 15 December 1975 (see A/PV.2440).

6. The latest revision to the standard rates of reimbursement was in accordance with paragraph 6 of General Assembly resolution 45/258 of 3 May 1991, whereby the Assembly decided to increase the rates of reimbursement by 4 per cent beginning 1 July 1991.

7. The rates became applicable to the three extant United Nations peacekeeping operations on 1 July 1991, namely, the United Nations Disengagement Observer Force (UNDOF), the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Iraq-Kuwait Observation Mission (UNIKOM). The rates have since been applied to all subsequent United Nations peacekeeping operations with troop components. Although the United Nations Peacekeeping Force in Cyprus (UNFICYP) has been in existence since 4 March 1964, the standard rates of reimbursement did not become applicable until 16 June 1993 in accordance with General Assembly resolution 47/236 of 14 September 1993.

II. Considerations

8. The introduction of standard rates of reimbursement established the amounts payable, on an equal basis, to Governments for their troops who serve side-by-side in United Nations peacekeeping operations. In the initial study of the matter, on which basis the standard rates of reimbursement were established in 1973, the following three points were considered:

(a) Troops serving side-by-side should be reimbursed on the same basis for identical services;

(b) No Government should receive a higher reimbursement than its actual cost, that is, no Member States should "profit" from its participation in the operation;

(c) Some Governments would not be fully reimbursed based on any standard cost-reimbursement formula, but they should be reimbursed at least the amount which was paid to their troops as actual overseas allowance.

9. All prior reviews of the rates of reimbursement that have been undertaken since their establishment have indicated that there are wide variations in troop costs among the States providing troops to the peacekeeping operations. As a result, the current standard rates of reimbursement do not fully compensate all Governments of troop-contributing States for their troop costs. That portion of the costs which is not compensated for by the standard rates of reimbursement is therefore absorbed by the respective troop-contributing States. This amount, expressed as a percentage of the total cost incurred by each Government for providing troops, is referred to as the absorption factor.

10. The collection and compilation of comparable data relating to troop costs started in 1980. During that year, the cost to the troop-contributing States for pay and allowance for troops, when compared with the reimbursements made by the United Nations, showed that the overall average absorption factor among the troop-contributing States was 45.9 per cent. This resulted in the increase approved by the General Assembly of some 39.7 per cent for both pay and allowances for all ranks from $680 to $950 and of 40 per cent for supplementary payment for specialists from $200 to $280. The 1985 review showed a decrease in the absorption factor to 34.3 per cent. The 1987 review indicated that the overall average absorption factor had increased to 46.3 per cent, while the 1989 review

based on data submitted in 1988 showed that the overall average absorption factor had decreased to 23.3 per cent. The last review undertaken in 1991 showed that the overall average absorption factor had increased to 32.8 per cent. The overall absorption factors are predicated on the number and composition of troop-contributing States that responded to the various surveys.

III. Troop costs

11. For the purpose of the present review of the rates of reimbursement, cost information based on military salary scales in effect as of December 1996 was requested from 64 Member States. Among these, 43 were providing troops to United Nations peacekeeping operations and 62 were providing military observers. It should be noted that 41 of the 43 States providing troops were also providing military observers. Therefore, cost data questionnaires were sent to all States contributing military personnel, that is, both troops and/or military observers, to all established peacekeeping missions in December 1996. In this regard, it should be pointed out that the number of troop-contributing States had increased from 57 in December 1991 to 64 in December 1996.

12. The format of the questionnaire for the 1996 review had been revised to enhance the standardization and comparability of data required for determining the cost to troop-contributing States of maintaining their troops in United Nations peacekeeping operations. The new format incorporated details on additional types of allowances and costs as well as items of personal clothing, gear and equipment that were included in the data provided by troop-contributing States in prior reviews. A copy of the questionnaire that was sent to all States contributing military personnel, with the guidelines for completing the questionnaire, is provided in annex VI.

13. Utilization of the data provided by Member States is intended for statistical purposes only and does not reflect any position taken by the Secretariat of the United Nations concerning the validity of the cost data.

14. Of the 64 Member States surveyed, 38 replies were received. Seven of these replies were not in conformity with the guidelines and therefore could not be utilized in the analysis. Of the 31 States that submitted comparable data, 26 were providing troops to peacekeeping operations in December 1996. Of these 26 States, six were providing military observers as well. The remaining five States were providing military observers only.

15. In accordance with the guidelines for completing the questionnaire, cost data provided by 31 Member States were presented in their national currencies. Cost data were converted from their respective national currencies into United States dollars based on United Nations operational rates of exchange in effect as at 31 December 1996. Accordingly, cost data contained in annexes II to V to the present report are presented in United States dollars.

16. Annex I lists the 64 States providing military personnel to United Nations peacekeeping operations as at 1 December 1996 as well as the 51 States that had been surveyed for the 1991 review.

17. Cost information provided by the 26 States contributing troops as at 1 December 1996, as mentioned in paragraph 14 above, is set out in annexes II.A, II.B and III to the present report.

18. Column (1) of annex II.A provides, in ascending order of magnitude, the average cost per person per month to the troop-contributing States in respect of pay and allowances of troops, including overseas allowance. Column (2) sets out the corresponding overseas

allowance that was paid by the States. Column (3) shows the current average United Nations reimbursement in respect of pay and allowances of troops. This average comprises the basic pay and allowance of $988 per person per month and the weighted average for specialists' allowance of $291 per person per month for 10 per cent of infantry and 25 per cent of support personnel, based on an average troop distribution of 75 per cent infantry and 25 per cent support personnel. Column (4) indicates the corresponding absorption factor, expressed as a percentage, that is, the portion of cost not reimbursed to Governments. From the distribution, it may be noted that the average of the 26 reported costs for pay and allowances for troops in December 1996 ranged between $774 and $10,778 per person per month, with an overall average of $3,806 and a median of $2,812. In comparison, the 1991 survey comprising replies from 17 States indicated an overall average cost of $3,611 and a median of $3,560.

19. Column (1) of annex II.B lists, in ascending order of magnitude, the average cost per person per month to the troop-contributing States in respect of overseas allowance only, in comparison with the current average United Nations reimbursement for pay and allowances of troops shown in column (2).

20. Annex III provides, in ascending order of magnitude, a distribution of the average cost, per person per month, for the usage factor for personal clothing, gear and equipment, and personal weaponry (including ammunition) issued by the troop-contributing States to their personnel. The corresponding absorption factor, indicating the percentage of costs to troop-contributing States not covered by the current rate of reimbursement of $70 per person per month, is also shown. The reported average cost per person per month in December 1996 ranged from $110 to $966, with an overall average cost of $490 and a median cost of $418. In comparison, the overall average cost from the 1991 survey was $213 and a median cost of $195.

21. Annex IV lists the individual as well as the average absorption factors borne by the Governments of troop-contributing States in respect of pay and allowances only, based on data provided by them for the years 1980, 1984, 1986, 1988, 1991 and 1996. For comparative purposes, the annex also provides the average absorption factors reflecting the exclusion of the highest and lowest absorption factors for each year. The absorption factors shown in the annex for each of the six years represent those portions of the costs for pay and allowances, including overseas allowances, paid to the troops by the troop-contributing States which are in excess of the reimbursement levels authorized at the time.

22. The results of the analysis of the cost information provided by the 11 Member States that were providing military personnel (other than troops) to United Nations peacekeeping operations are set out in annex V. It indicates that the average total cost incurred by those States for providing military personnel (other than troops) amounted to $6,355 per person per month with a median cost of $5,637 per person per month. It should be noted that these military personnel are all ranked as officers.

Services provided by United Nations peacekeeping missions to contingent personnel

23. The General Assembly, in section V, paragraph 2, of its resolution 51/218 E of 17 June 1997, requested the Secretary-General, *inter alia*, to include in his report on the review of the rates of reimbursement to the Governments of troop-contributing States, a complete analysis of all services being provided to troops, together with an indication of the rationale for the provision of each service and how those services were administered and accounted for. Services provided to troops are divided into three areas, as follows:

(a) The provision of United Nations-specific items and accoutrements (blue United Nations beret, scarf, brassard, shoulder patches, cap badge, field cap and medals);

(b) The provision of life-support services to troops, including catering, internal communications, office, electrical, minor engineering, explosive ordnance disposal, laundry and cleaning (including dry cleaning), tentage, accommodation, medical, observation, identification, nuclear, biological and chemical protection, field defence stores and miscellaneous stores (bedding, furniture and welfare);

(c) Other services, including the provision of rations, drinking water, fuel, haircutting, tailoring (including maintenance of uniforms) and boot repair.

24. Troop-contributing States are responsible for providing personal clothing, gear and equipment for all members of their contingents. Troop-contributing States are reimbursed a usage factor in the amount of $65 per person per month. In paragraph 78 of its report dated 13 February 1998 (A/C.5/52/39), the Phase IV Working Group on Reimbursement of Contingent-owned Equipment recommended that the Secretariat should develop an indicative, mission-specific, standardized personal equipment listing for each mission as part of the mission planning process; that the listing was to be discussed with each contingent before starting each mission; and that the listing was to be included in the guidelines to troop-contributing countries issued for each such mission. In paragraph 33 of the Secretary-General's report of 7 October 1998 (A/53/465), the Secretariat indicated its concurrence with that recommendation of the Working Group. Such a list has been produced for new missions established after the Phase IV Working Group met. This service is administered through the standard verification and reporting procedures contained in the Manual on Policies and Procedures concerning Reimbursement and Control of Contingent-owned Equipment of Troop-contributing Countries Participating in Peacekeeping Missions, which was issued in 1996.

25. The United Nations is responsible for the provision of United Nations-specific items and accoutrements for use by members of contingents. The scale of issue for these items is one blue beret, two scarves, two brassards, six shoulder patches, one cap badge, one field cap and one medal per contingent member for every six months of deployment to a peacekeeping mission. United Nations-specific items are procured by the Secretariat under competitive tender arrangements in accordance with the Financial Regulations and Rules of the United Nations and stocks are stored in the United Nations Logistics Base at Brindisi. A systems contract is in place for the manufacture of United Nations medals, which was awarded as the result of competitive tenders. The required quantities of United Nations-specific items are usually shipped to Member States directly from the Logistics Base prior to the deployment of a contingent to the mission area. Maintenance stocks of United Nations-specific items are also shipped from the Logistics Base to the peacekeeping missions for storage in the mission area and provision to contingents as required.

26. By its resolution 50/222 of 11 April 1996, the General Assembly authorized the implementation of new procedures for determining reimbursement to Member States for contingent-owned equipment. As a standard element of the new procedures, the United Nations was required to provide services to the contingents of troop-contributing countries. The new procedures included the provision of the following life-support services for the sustainment of troops in field missions: catering, internal communications, office, electrical, minor engineering, explosive ordnance disposal, laundry and cleaning (including dry cleaning), tentage, accommodation, medical, observation, identification, nuclear, biological and chemical protection, field defence stores and miscellaneous stores (bedding, furniture and welfare). The definition of each of these services and the standard reimbursement rate applicable to each category are shown in chapters 2 and 3 of the Manual on Policies and

Procedures concerning Reimbursement and Control of Contingent-owned Equipment of Troop-contributing Countries Participating in Peacekeeping Missions. The new procedures require that the United Nations provide these services to contingents; however, the new procedures also state that should the United Nations not be able or not wish to provide the services, then the United Nations can request a troop-contributing country to provide the services to its troops. Details of the services provided by troop-contributing States to their contingents are formalized in the Memorandum of Understanding for the troop contribution, which is signed by the troop-contributing State and the United Nations. The procedures for the administration of and accounting for the provision of these services by Member States are provided in chapter 3 of the Manual on Policies and Procedures. When the United Nations provides any of these services to contingents, the Organization uses either its own equipment and staff or awards local contracts competitively tendered in accordance with the Financial Regulations and Rules of the United Nations. Accounting for expenditures incurred in the provision of services by the United Nations is in accordance with the Financial Regulations and Rules and is subject to audit by internal and external auditors on a regular basis.

27. The United Nations is also responsible for the provision of rations, drinking water and petrol and related products for consumption by contingents. For each peacekeeping mission, the United Nations awards major commercial contracts for the provision of rations, fuel and water based on the result of competitive tendering and in accordance with the Financial Regulations and Rules. These contracts are administered and accounted for in accordance with the Financial Regulations and Rules and are subject to audit by internal and external auditors on a regular basis.

28. Haircutting, tailoring (including maintenance of uniforms) and boot repair are minor services normally provided by the United Nations under local contracts arranged in the mission area. Such contracts are awarded through normal procurement processes; the administration of and accounting for these contracts are organized in accordance with the Financial Regulations and Rules.

IV. Observations

29. As regards the consideration that the rates of reimbursement should compensate all troop-contributing States for at least the actual overseas allowance paid to their troops, it should be noted from the distributions shown in columns (1) and (2) of annex II.B that 15 of the 26 States are not being fully reimbursed for overseas allowance. The overall average overseas allowance (excluding salary) paid by the troop-contributing States to their troops amounted to $1,416, compared with the current average United Nations reimbursement for troop costs (including basic pay and supplementary allowance for a limited number of specialists) of $1,028.

30. As regards the consideration that no Government should receive a higher reimbursement than its actual cost, it should also be noted from the distributions shown in columns (1) and (3) of annex II.A that the current standard reimbursement for troop costs compensates in full or more the cost for pay and allowances (including overseas allowance) for only three of the 26 Governments that responded to the survey. As regards the desirability for the standard rates of reimbursement to cover at least the overseas allowances paid to their troops, column (1) of annex II.B indicates that only 11 of the 26 Governments recovered their expenses in full or more.

31. As indicated in annex IV, the overall average absorption factor for 1996 is 53.9 per cent. A comparison with the previous average of 32.8 per cent from the 1991 review indicates an increase of 21.1 per cent in the average absorption factor. It would appear, therefore, that an upward adjustment to the current rates may be warranted.

V. Action to be taken by the General Assembly at its fifty-fourth session

32. The action to be taken by the General Assembly at its fifty-fourth session is that it may wish to take into consideration the 21.1 per cent increase since 1991 in the overall average absorption factor and to decide whether an upward adjustment to the current rates is warranted.

Annex I

Summary of States providing military personnel to United Nations peacekeeping operations as at 31 December 1996 and replies received

	States	*Troops*	*Military observers*	*Replies received*
1.	Albania		✓	
2.	Algeria[a]		✓	
3.	Argentina[a]	✓	✓	✓
4.	Australia[a]	✓	✓	✓
5.	Austria[a]	✓	✓	✓
6.	Bangladesh[a]	✓	✓	✓
7.	Belgium[a]	✓	✓	✓
8.	Brazil[a]	✓	✓	✓
9.	Bulgaria		✓	✓
10.	Canada[a]	✓	✓	
11.	Chile[a]	✓	✓	✓
12.	China[a]		✓	
13.	Congo[a]		✓	
14.	Cuba		✓	
15.	Czech Republic[a]	✓	✓	✓
16.	Denmark[a]	✓	✓	✓
17.	Egypt[a]	✓	✓	
18.	El Salvador		✓	
19.	Fiji[a]	✓	✓	✓
20.	Finland[a]	✓	✓	✓
21.	France[a]	✓	✓	
22.	Germany[a]	✓	✓	✓
23.	Ghana[a]	✓	✓	✓
24.	Greece[a]		✓	✓
25.	Guinea[a]		✓	
26.	Guinea-Bissau[a]		✓	
27.	Honduras		✓	
28.	Hungary[a]	✓	✓	✓
29.	India[a]	✓	✓	
30.	Indonesia[a]	✓	✓	
31.	Ireland[a]	✓	✓	
32.	Italy[a]	✓	✓	
33.	Japan	✓		✓
34.	Jordan[a]	✓	✓	✓
35.	Kenya[a]		✓	✓
36.	Malaysia[a]	✓	✓	✓

	States	Troops	Military observers	Replies received
37.	Mali	✓	✓	
38.	Namibia	✓		✓
39.	Nepal[a]	✓	✓	
40.	Netherlands[a]	✓	✓	✓
41.	New Zealand[a]	✓	✓	✓
42.	Nigeria[a]		✓	✓
43.	Norway[a]	✓	✓	
44.	Pakistan[a]	✓	✓	✓
45.	Poland[a]	✓	✓	✓
46.	Portugal	✓	✓	✓
47.	Republic of Korea	✓	✓	✓
48.	Romania[a]	✓	✓	✓
49.	Russian Federation[a]	✓	✓	✓
50.	Senegal[a]		✓	
51.	Singapore[a]		✓	✓
52.	Slovak Republic	✓	✓	✓
53.	Sweden[a]	✓	✓	✓
54.	Switzerland[a]		✓	✓
55.	Thailand[a]		✓	
56.	Tunisia[a]		✓	
57.	Turkey[a]		✓	✓
58.	Ukraine	✓	✓	✓
59.	United Kingdom of Great Britain and Northern Ireland[a]	✓	✓	
60.	United States of America[a]	✓	✓	
61.	Uruguay[a]	✓	✓	✓
62.	Venezuela[a]		✓	✓
63.	Zambia	✓	✓	
64.	Zimbabwe	✓	✓	
	Count	**43**	**62**	**38**

[a] Troop-contributing State surveyed for the 1991 review.

Annex II

A. Average troop cost, per person per month, reported by the troop-contributing States for pay and allowances, United Nations reimbursement to troop-contributing States and the corresponding absorption factor in December 1996

(United States dollars)

	Troop contributor's average cost for pay and allowances including overseas allowance, pppm [a]	*Troop contributor's average cost, pppm, for overseas allowance only*	*Current average United Nations reimbursement to contributor for troop cost, pppm*	*Absorption factor (Percentage)*
	(1)	*(2)*	*(3)*	*(4)*
	774	656	1 028	(32.8)
	858	586	1 028	(19.8)
	949	-	1 028	(8.3)
	1 230	475	1 028	16.4
	1 276	512	1 028	19.4
	1 493	1 018	1 028	31.1
	1 556	1 077	1 028	33.9
	1 575	1 024	1 028	34.7
	2 017	1 012	1 028	49.0
	2 349	1 239	1 028	56.2
	2 378	282	1 028	56.8
	2 466	1 141	1 028	58.3
	2 470	1 936	1 028	58.4
	3 153	2 476	1 028	67.4
	3 484	2 369	1 028	70.5
	3 925	539	1 028	73.8
	4 748	1 084	1 028	78.3
	4 899	1 966	1 028	79.0
	5 182	2 157	1 028	80.2
	5 446	1 103	1 028	81.1
	5 717	2 734	1 028	82.0
	6 804	1 823	1 028	84.9
	7 155	2 185	1 028	85.6
	7 430	345	1 028	86.2
	8 845	2 824	1 028	88.4
	10 778	4 251	1 028	90.5
Average	**3 806**	**1 416**	**1 028**	**53.9**
Median	**2 812**	**1 094**		**62.9**

[a] Listed in ascending order of magnitude.

B. Comparison between the average troop cost, per person per month, reported by the troop-contributing States for overseas allowance and the United Nations rate of reimbursement in December 1996

(United States dollars)

	Troop contributor's average cost, pppm, for overseas allowance only [a]	*Current average United Nations reimbursement to contributor for troop cost, pppm*
	(1)	*(2)*
	-	1 028
	282	1 028
	345	1 028
	475	1 028
	512	1 028
	539	1 028
	586	1 028
	656	1 028
	1 012	1 028
	1 018	1 028
	1 024	1 028
	1 077	1 028
	1 084	1 028
	1 103	1 028
	1 141	1 028
	1 239	1 028
	1 823	1 028
	1 936	1 028
	1 966	1 028
	2 157	1 028
	2 185	1 028
	2 369	1 028
	2 476	1 028
	2 734	1 028
	2 824	1 028
	4 251	1 028
Average	**1 416**	**1 028**
Median	**1 094**	

[a] Listed in ascending order of magnitude.

Annex III

Average troop cost, per person per month, reported by the troop-contributing States for the usage factor for personal clothing, gear and equipment, and personal weaponry (including ammunition), and the absorption factor at the reimbursement rate (US$ 70) in December 1996

(United States dollars)

Each troop contributor's average cost, pppm [a]	*Absorption factor (Percentage)*
110	36.4
167	58.1
232	69.8
259	73.0
262	73.3
278	74.8
307	77.2
319	78.1
374	81.3
391	82.1
410	82.9
414	83.1
417	83.2
419	83.3
470	85.1
518	86.5
562	87.5
594	88.2
600	88.3
639	89.0
742	90.6
773	90.9
788	91.1
828	91.5
901	92.2
966	92.8
Average 490	**81.2**
Median 418	**83.3**

[a] Listed in ascending order of magnitude.

Annex IV

Summary of absorption factors in respect of pay and allowances, inclusive of overseas allowance[a]

(Percentage)

	1980	*1984*	*1986*	*1988*	*1991*	*1996*
						(32.8)
						(19.8)
						(8.3)
						16.4
						19.4
						31.1
						33.9
						34.7
						49.0
						56.2
						56.8
					(157.5)	58.3
					(113.1)	58.4
					(33.1)	67.4
					(25.3)	70.4
	18.6	(38.2)		(264.5)	58.6	73.8
	24.7	11.7	(37.0)	(26.9)	67.6	78.3
	37.1	13.6	35.2	51.6	67.4	79.0
	37.8	18.6	37.2	52.7	71.4	80.2
	40.4	28.8	42.5	55.3	72.2	81.1
	48.0	38.8	50.2	58.5	74.8	82.1
	49.7	48.8	56.4	58.7	74.8	84.9
	52.3	50.9	59.8	60.0	79.7	85.6
	57.9	61.9	67.3	65.6	81.2	86.2
	68.9	70.7	71.1	67.9	84.0	88.4
	69.5	72.2	80.4	76.9	89.2	90.5
Average	**45.9**	**34.3**	**46.3**	**23.3**	**32.8**	**53.9**
Average (excluding highest and lowest percentages)	**46.3**	**38.2**	**52.5**	**49.3**	**43.1**	**56.0**
Median	**48.0**	**38.8**	**53.3**	**58.5**	**71.4**	**62.9**

[a] In ascending order of magnitude.

Annex V

Average costs, per person per month, reported by Governments for maintaining other military personnel assigned to United Nations peacekeeping operations

(United States dollars)

	Average salary paid while in the home country	*Average allowances*		*Usage factor for personal clothing, gear and equipment*		*Additional expenses borne by Government in preparing troops for tour of duty with United Nations peacekeeping operation*	*Total costs* [a]
		Local	*Overseas*	*Issued for service in home country*	*Additional items issued for tour of duty with United Nations peacekeeping mission*		
	453	328	-	165	252	349	1 547
	35	8	12	1 116	788	-	1 959
	352	696	888	152	-	239	2 327
	111	316	3 494	444	-	210	4 575
	2 739	194	1 051	108	283	915	5 290
	3 620	-	1 890	68	52	7	5 637
	1 176	1 817	1 011	965	24	946	5 939
	2 404	144	2 767	108	179	554	6 156
	1 690	220	2 669	64	29	2 191	6 863
	359	1 960	4 742	316	208	961	8 546
	7 642	155	8 959	626	559	3 120	21 061
Average	**1 871**	**531**	**2 498**	**376**	**216**	**863**	**6 355**
Median							**5 637**

[a] Listed in ascending order of magnitude.

Annex VI

Guidelines and questionnaire on the review of the rates of reimbursement to the Governments of troop-contributing States

GUIDELINES FOR COMPLETING THE QUESTIONNAIRE

GENERAL

1. The questionnaire is comprised of 8 pages, including the title page.

2. All cost figures are to be based on rates in effect **as at 31 December 1996**, expressed in **NATIONAL CURRENCY** and calculated as the **AVERAGE COST PER PERSON PER MONTH**.

3. Enter in the title page the name of country and of currency. Place a check mark in the appropriate box that describes the composition of your contingent. Each page of the questionnaire must show the country name.

4. Separate questionnaires should be filled in for troops and for military observers.

5. Items listed in part 2 are based on the data provided in the last questionnaire of 1991. Provisions have been made to add items that may be unique to your contingent. These items can be entered in the blank spaces provided at the end of column 1, below "Other".

PART 1 - SALARIES AND ALLOWANCES (pages 2 and 3)

6. This part is divided into two headings to differentiate between amounts paid for service in the home country and any additional allowances paid for service with a United Nations peace-keeping operation (UNPKO).

A. **SERVICE IN HOME COUNTRY**

Enter the average salaries and allowances per person per month paid to each

rank **while serving in the home country**. Indicate in the appropriate box the total number of each rank within your contingent (column 2), the average salary of each person per month for each rank (column 3) and the applicable allowances (columns 4 to 9). Other allowances payable for which columns have not been provided should be entered in column 10.

B. **ADDITIONAL FOR SERVICE WITH UNPKO**

Enter the average salaries and allowances per person per month paid to each rank, in addition to those provided in section A above, when assigned to a UNPKO. Other allowances payable for which columns have not been provided should be entered in column 11.

PART 2 - PERSONAL CLOTHING, GEAR AND EQUIPMENT (pages 4 to 7)

7. This part pertains to individual items of clothing, gear and equipment issued to each member of the contingent. Items listed in column 1 of sub-headings A.1 and A.2 have a useful life span of approximately six months. Items listed in column 1 of sub-headings B.1 and B.2 relate to more durable items such as personal arms, ammunition and helmet.

A.1 **INDIVIDUAL ITEMS OF CLOTHING ISSUED TO ALL RANKS**

For items issued for service in home country, enter scale of issue (column 2) and unit cost (column 3). For additional items issued specifically for service with a UNPKO, enter scale of issue (column 4) and unit cost (column 5).

A.2 **ADDITIONAL ITEMS OF PERSONAL CLOTHING ISSUED TO PARTICULAR RANKS OR GROUPS, IN ADDITION TO ITEMS ISSUED IN A.1 ABOVE**

For items issued for service in home country, enter the number of persons entitled to the additional items of clothing (column 2), scale of issue (column 3) and unit cost (column 4). For additional items issued specifically for service with a UNPKO, enter the number of persons entitled to the additional items (column 5), scale of issue (column 6) and unit cost (column 7).

B.1 ADDITIONAL ITEMS OF GEAR AND EQUIPMENT ISSUED TO ALL RANKS

For items issued for service in home country, enter scale of issue (column 2), initial unit cost at the beginning of UNPKO tour of duty (column 3) and residual unit cost at the end of a six-month tour of duty (column 4). For additional durable items issued specifically for service with UNPKO, enter scale of issue (column 5), initial unit cost at the beginning of UNPKO tour of duty (column 6) and residual unit cost at the end of a six-month tour of duty (column 7).

B.2 ADDITIONAL INDIVIDUAL ITEMS OF GEAR AND EQUIPMENT ISSUED TO SPECIFIC RANKS OR GROUPS

For items issued for service in home country, enter the number of persons entitled to additional items of gear and equipment (column 2), scale of issue (column 3), initial unit cost at the beginning of UNPKO tour of duty (column 4) and residual unit cost at the end of a six-month UNPKO tour of duty (column 5). For additional items issued specifically for service with UNPKO, enter the number of persons entitled (column 6), scale of issue (column 7), initial unit cost at the beginning of UNPKO tour of duty (column 8) and residual unit cost at the end of a six-month tour of duty (column 9).

PART 3 - ADDITIONAL EXPENSES BORNE BY GOVERNMENTS IN PREPARING TROOPS FOR DEPLOYMENT TO UNPKO (page 8)

8. This part refers to additional costs, if any, borne by Governments as a result of making the troops available for service with the United Nations, provided such costs are not already met by the United Nations in other forms of reimbursement such as Letter of Assist or Claim submissions. Under each of the five cost categories (travel, medical, training, administrative and miscellaneous costs), a breakdown of applicable expenditures is provided. Any expenditures incurred which are not listed under each category should be entered under "Other".

QUESTIONNAIRE

1996

Review of the Rates of Reimbursement to the Governments of troop-contributing States

Name of Country: ⟶ [ ]

Name of national currency: ⟶ [ ]

Check appropriate box that describes composition of your contingent ⟶

Troops	Military Observers
[ ]	[ ]

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country): ——▶ [ ]

A/54/763

PART 1 - SALARIES & ALLOWANCES *(IN NATIONAL CURRENCY)*

A. SERVICE IN HOME COUNTRY

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rank	Number of Personnel	Average Salary per person per month	Average Local Allowance per person per month	Average Household/ Accommodation Allowance per person per month	Average Clothing/Uniform Maintenance Allowance per person per month	Average Medical Allowance per person per month	Average Children's Allowance No. of children per rank	Average Children's Allowance Rate per child per month	Other Allowance per person per month
Colonel									
Lt-Colonel									
Commandant									
Major									
Captain									
Lieutenant									
1st Lieutenant									
2nd Lieutenant									
Warrant Officer 1									
Warrant Officer 2									
Major Adjutant									
Q/master Adjutant									
Adjutant 1									
Adjutant 2									
Adjutant 3									
Q/master Sergeant									
Staff Sergeant									
Sergeant									
Corporal									
Lance Corporal									
Private									

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country):

PART 1 - SALARIES & ALLOWANCES (continued)

(IN NATIONAL CURRENCY)

B. ADDITIONAL FOR SERVICE WITH UNPKO

(EXCLUDING those reported in Part 1.A)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
RANK	ADDITIONAL Average Salary per person per month	Average Field overseas Allowance per person per month	Average Foreign/War Service Allowance per person per month	ADDITIONAL Average Household/ Accommodation Allowance per person per month	ADDITIONAL Average Clothing/Unif Maintenance Allowance per person per month	ADDITIONAL Average Medical Allowance per person per month	ADDITIONAL Average Children's Allowance Rate per child per month	Average Separation Allowance (For married) No. of married per rank	Rate per marrie per month	ADDITIONAL Average Other Allowance per person per month
Colonel										
Lt-Colonel										
Commandant										
Major										
Captain										
Lieutenant										
1st Lieutenant										
2nd Lieutenant										
Warrant Officer 1										
Warrant Officer 2										
Major Adjutant										
Q/master Adjutant										
Adjutant 1										
Adjutant 2										
Adjutant 3										
Q/master Sergeant										
Staff Sergeant										
Sergeant										
Corporal										
Lance Corporal										
Private										

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country): ——————►

PART 2 - PERSONAL CLOTHING, GEAR & EQUIPMENT *(IN NATIONAL CURRENCY)*

A.1. INDIVIDUAL ITEMS OF CLOTHING ISSUED TO ALL RANKS LISTED IN PART 1 BY TROOP-CONTRIBUTING GOVERNMENT

(1)	(2)	(3)	(4)	(5)
	Items issued for service in home country		*Additional items issued specifically for service with UNPKO*	
	SCALE OF ISSUE *(Quantity per person)*	UNIT COST *(In national currency)*	SCALE OF ISSUE *(Quantity per person)*	UNIT COST *(In national currency)*
Badge				
Bag				
Belt, Other				
Belt, Waist				
Blanket				
Boots, Combat				
Boots, Other				
Brassard				
Cap/Beret				
Coat, Rain				
Coat, Winter				
Gloves				
Gowns, Work				
Hat				
Helmet				
Insignia				
Insoles				
Jacket, Rain				
Jacket, Winter				
Linen, Bed				
Liner, Trouser				
Long John				
Mess Tin Set				
Overalls				
Pillow case				
Pullover				
Robes, Bath				
Robes, Work				
Sandals				
Sewing Kit				
Shirt				
Shoes, Dress				
Shoes, Sport				
Shoes, Other				
Shorts, Walking				
Shorts, Other				
Sleepwear				
Socks, Long				
Socks, Short				
Suspenders				
Sweater				
Sweatsuit				
Tags, ID				
Tie				
Toiletries				
Towel				
Trousers				
Undershirt, Summer				
Undershirt, Winter				
Underwear				
Uniform, Dress (Set)				
Uniform, Summer (Set)				
Uniform, Winter (Set)				
Uniform, Combat (Set)				
Vest, Winter				
Other:				

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country):

PART 2 - PERSONAL CLOTHING, GEAR & EQUIPMENT *(IN NATIONAL CURRENCY)*

A.2. ADDITIONAL ITEMS OF PERSONAL CLOTHING ISSUED TO PARTICULAR RANKS OR GROUPS, IN ADDITION TO ITEMS ISSUED IN PART 2 - A.1

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Items issued for service in home country			*Additional items issued specificaliy for service with UNPKO*		
	NUMBER ENTITLED	SCALE OF ISSUE *(Quantity per person)*	UNIT COST *(In national currency)*	NUMBER ENTITLED	SCALE OF ISSUE *(Quantity per person)*	UNIT COST *(In national currency)*
Badge						
Bag						
Belt, Other						
Belt, Waist						
Blanket						
Boots, Combat						
Boots, Other						
Brassard						
Cap/Beret						
Coat, Rain						
Coat, Winter						
Gloves						
Gowns, Work						
Hat						
Helmet						
Insignia						
Insoles						
Jacket, Rain						
Jacket, Winter						
Linen, Bed						
Liner, Trouser						
Long John						
Mess Tin Set						
Overalls						
Pillow case						
Pullover						
Robes, Bath						
Robes, Work						
Sandals						
Sewing Kit						
Shirt						
Shoes, Dress						
Shoes, Sport						
Shoes, Other						
Shorts, Walkin						
Shorts, Other						
Sleepwear						
Socks, Long						
Socks, Short						
Suspenders						
Sweater						
Sweatsuit						
Tags, ID						
Tie						
Toiletries						
Towel						
Trousers						
Undershirt, Su						
Undershirt, Win						
Underwear						
Uniform, Dress						
Uniform, Summ						
Uniform, Winter						
Uniform, Comb						
Vest, Winter						
Other:						

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country): ➔

PART 2 - PERSONAL CLOTHING, GEAR & EQUIPMENT (continued) **(IN NATIONAL CURRENCY)**

B.1. INDIVIDUAL ITEMS OF GEAR & EQUIPMENT ISSUED TO ALL RANKS LISTED IN PART 1 BY TROOP-CONTRIBUTING GOVERNMENT

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Items issued for service in home country			*Additional items issued specifically for service with UNPKO*		
	SCALE OF ISSUE *Quantity Per Person*	INITIAL UNIT COST *(at beginning of UNPKO tour of duty)*	RESIDUAL UNIT COST *(at end of 6-month UNPKO tour of duty)*	SCALE OF ISSUE *Quantity Per Person*	INITIAL UNIT COST *(at beginning of UNPKO tour of duty)*	RESIDUAL UNIT COST *(at end of 6-month UNPKO tour of duty)*
Rifle						
Pistol						
Submachine gun						
Guns, Other						
Magazines/Cartridges						
Gun cleaning kit						
Helmet						
Helmet Pads						
Bullet, Pistol						
Bullet, Rifle						
Bullet, Other						
Vest, Bullet-proof						
Suit, Protective						
Gloves, Protective						
Binoculars						
Night vision equipment						
Pistol Belt						
Holster						
Knife, Pocket						
Knife, Combat						
Flashlight						
Machete						
Compass						
Entrenching Tool						
Multi-purpose tools						
Goggles						
Axe						
Vest Survival						
First Aid Kit						
Water Treatment Kit						
Insect Repellants						
Canteen, Water						
Personal Flatware Set						
Combat Ration						
Personal Dinnerware Set						
Sleeping Bag						
Mosquito Net						
Suitcase						
Bag, Canvas						
Other:						

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country)

PART 2 - PERSONAL CLOTHING, GEAR & EQUIPMENT (continued) ***(IN NATIONAL CURRENCY)***

B.2. ADDITIONAL INDIVIDUAL ITEMS OF GEAR & EQUIPMENT ISSUED TO SPECIFIC RANKS OR GROUPS BY TROOP-CONTRIBUTING GOVERNMENT

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Items issued for service in home country				*Additional items issued specifically for service with UNPKO*			
	NUMBER OF PERSONS ENTITLED	SCALE OF ISSUE *Quantity Per Person*	INITIAL UNIT COST *(at beginning of UNPKO tour of duty)*	RESIDUAL UNIT COST *(at end of 6-month UNPKO tour of duty)*	NUMBER OF PERSONS ENTITLED	SCALE OF ISSUE *Quantity Per Person*	INITIAL UNIT COST *(at beginning of UNPKO tour of duty)*	RESIDUAL UNIT COST *(at end of 6-month UNPKO tour of duty)*
Rifle								
Pistol								
Submachine gun								
Guns, Other								
Magazines/Cartridges								
Gun cleaning kit								
Helmet								
Helmet Pads								
Bullet, Pistol								
Bullet, Rifle								
Bullet, Other								
Vest, Bullet-proof								
Suit, Protective								
Gloves, Protective								
Binoculars								
Night vision equipment								
Pistol Belt								
Holster								
Knife, Pocket								
Knife, Combat								
Flashlight								
Machete								
Compass								
Entrenching Tool								
Multi-purpose tools								
Goggles								
Axe								
Vest Survival								
First Aid Kit								
Water Treatment Kit								
Insect Repellants								
Canteen, Water								
Personal Flatware Set								
Combat Ration								
Personal Dinnerware Set								
Sleeping Bag								
Mosquito Net								
Suitcase								
Bag, Canvas								
Other:								

QUESTIONNAIRE - 1996 RATES OF REIMBURSEMENT

(Name of Country): ►

PART 3 - ADDITIONAL EXPENSES BORNE BY GOVERNMENTS IN PREPARING TROOPS FOR DEPLOYMENT TO UNPKO

	Average cost per person (in national currency)
1. Travel costs	
a. Transport to and from staging area	
b. Passport	
c. Photo ID	
d. Other	
2. Medical costs	
a. Medical examination	
b. Dental examination	
c. Inoculations	
d. X-ray & laboratory tests	
e. Other	
3. Training costs	
a. Co-ordinating conferences	
b. Recruitment campaign & promotions	
c. Training aids	
d. Food while in training	
e. Allowance while in training	
f. Other	
4. Administrative costs	
a. Office rent	
b. Stationery supplies	
c. Pay for temporary assistance resulting from vacancies created due to UNPKO deployment	
d. Additional risk insurance	
e. Postal service	
f. Other	
5. Miscellaneous	
a. Moving/storage of personal belongings	
b. Maintenance of ammunition	
c. Other	

United Nations A/54/764

General Assembly

Distr.: General
23 February 2000

Original: English

Fifty-fourth session
Agenda items 118 and 127

Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Follow-up review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat)

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General, Overseer of the Office of Internal Oversight Services, on the follow-up to the 1997 review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat).

2. The Secretary-General takes note of its findings and concurs with its recommendations.

00-31472 (E) 130300

Report of the Office of Internal Oversight Services on the follow-up to the 1997 review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat)

Summary

In October 1999 the Office of Internal Oversight Services (OIOS) carried out a follow-up inspection concerning its report of 23 April 1997 (A/51/884). It assessed the progress made in implementing the previous recommendations, and whether the desired improvement in the financial and administrative management of the United Nations Centre for Human Settlements (Habitat) had begun to materialize. In that regard, particular attention was paid to the revitalization efforts begun in September 1998. That allowed the inspection to maintain a forward-looking profile and to provide a constructive input into making the revitalization more effective.

Following the issuance of the initial OIOS report in April 1997, a number of disjointed and inconclusive efforts at reforming the Centre were attempted. The decisive breakthrough came in July 1998, with the new Acting Executive Director launching the revitalization campaign. By the beginning of 1999, the revitalization effort had resulted in a new vision, translated into a strategically focused draft work programme, and a streamlined organizational structure for the Centre based on strategic goals, which provided for enhanced flexibility in implementing substantive activities. The revitalization exercise received the approval of Member States and other Habitat stakeholders.

The inspection observed convincing advances in redefining the Centre's mission, in redesigning its work programme to concentrate resources on strategic goals and in aligning the new organizational and programmatic structures. OIOS noted that the revitalization had established viable linkages between the operational and normative activities of the Centre, and had infused a healthy flexibility into its work processes. There are encouraging signs of an emerging new work culture which puts a premium on initiative, creativity and flexibility. OIOS is of the view that the revitalization effort has given a new impetus to the Centre's future work, and much effort has been put into creating its new, revitalized image.

However, the administrative support necessary to sustain those efforts is still weak. OIOS recognizes that, owing to the historic legacy of inadequate management, efforts in renewing the administrative and financial areas had to start from an unusually low base. That resulted in efforts at improvement being reduced to crisis management, leaving little room for the development of a comprehensive, forward-looking reform policy.

While those "firefighting" efforts undoubtedly achieved certain changes for the better in the most problematic areas, OIOS believes that it is now time for Habitat to emphasize strong financial and personnel management, to ensure that the revitalization momentum is maintained and that staff morale and donors' confidence are not adversely affected. That will require the same strategic planning, policy guidance, professional expertise and persistence in implementation as was shown in the programmatic areas.

OIOS recommends that financial and personnel management be given priority attention and be tackled as decisively, expeditiously and comprehensively as the programmatic areas. The Centre, jointly with the United Nations Office at Nairobi (UNON), should continuously update, and energetically implement, concrete and detailed measures relative to financial and human resources management.

Contents

		Paragraphs	*Page*
I.	Introduction	1–7	4
II.	Recent developments	8–9	4
III.	Planning and organization	10–17	5
IV.	Leadership and management	18–19	6
V.	Performance monitoring, evaluation and project appraisal	20–25	6
VI.	Administrative and financial management	26–29	7
VII.	Financial situation	30–35	8
VIII.	Regional dimension	36–41	8
IX.	Institutional memory	42–46	9
X.	Management advisory mechanisms and internal communications	47–50	10
XI.	Personnel management	51–55	10
XII.	Management training	56–63	11
XIII.	Internal information and staff morale	64–67	12
XIV.	Delegation of authority	68–69	13
XV.	Conclusion	70–72	13
XVI.	Recommendations	73–83	13
Annex			
	Organization chart		16

I. Introduction

1. On 23 April 1997, the Secretary-General transmitted to the General Assembly the report of the Office of Internal Oversight Services (OIOS) concerning the review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat) (A/51/884). In summary, the findings of the report suggested that there were significant weaknesses in the management of the Centre:

- A strategic vision was lacking.
- Activities were not supportive of each other and resources were dispersed thinly.
- An effective system for monitoring programme implementation and assessing results was not in place.

2. The report concluded that the weakness of leadership, the lopsided organizational structure, duplication of functional responsibilities and blurred accountability affected negatively the financial position of the Centre and the confidence of its donors.

3. The Commission on Human Settlements, in paragraph 4 of its resolution 16/8 of 7 May 1997, requested the Secretary-General to ensure prompt implementation of the recommendations of OIOS. The General Assembly, in its decision 51/468 G of 13 June 1997, took note of the report of OIOS and Commission resolution 16/8, and of the assurances of the Executive Director that the Centre had begun the implementation of recommendations contained in the report of OIOS, and encouraged the Centre to implement fully the recommendations as approved by the Commission. The good intentions notwithstanding, the implementation during the following year was sporadic and inconsistent and the decisive turnaround in the performance of the Centre was nowhere in sight.

4. The purpose of the current OIOS inspection, which took place in October 1999, was to assess progress in the implementation of the previous recommendations in the context of the ongoing revitalization of the Centre, with particular attention to how it had affected the efficiency and financial situation of the Centre.

5. The OIOS findings and recommendations are grouped below under main subject areas. They are prefaced by a brief overview of developments that have taken place since the 1996 inspection. The annex shows the current organizational structure of the Centre.

6. The inspection team met with the management of the Centre and its staff and had the benefit of receiving the views of the Member States directly during the course of a special meeting of the Committee of Permanent Representatives in Nairobi.

7. OIOS greatly appreciates the cooperation extended to its team by the management and the staff of the Centre. The comments of management were sought on the draft report and were taken into account in the preparation of this final report. Summaries of such comments are provided in italics under the respective recommendations (see paras. 73-83 below). OIOS was encouraged by the commitment of the Centre, expressed in its comments on the draft report, to address fully all issues raised in the present report and to implement all recommendations.

II. Recent developments

8. The Acting Executive Director acknowledged that despite a number of assessments, reviews and studies, by mid-1998 the Centre was still experiencing serious problems and faced an extremely uncertain future. He therefore appointed, in September 1998, a Revitalization Team, which proposed a strategic vision for Habitat (see HS/C/17/2/Add.2, annex) and a new organizational structure, and provided recommendations on management and administrative matters. The Committee of Permanent Representatives and the staff were consulted in the preparation of the report, which was adopted by the Acting Executive Director as the blueprint for the revitalization of the Centre. The programmatic and interdisciplinary aspects of the Centre's work also benefited from the recommendations of the United Nations Task Force on Environment and Human Settlements (see A/53/463).

9. The reaction of stakeholders to the revitalization programme was largely positive, as reflected in the discussion at the seventeenth session of the Commission on Human Settlements and in the decisions adopted at that session.[1] In its resolutions 17/1 and 17/6 of 14 May 1999, for example, the Commission recognized that the overall thrust of the new strategic vision for the Centre and its emphasis on two global campaigns were strategic points of entry for

an effective implementation of the Habitat Agenda, acknowledged the ongoing revitalization and its linkages with the wider United Nations reform and welcomed the management's commitment to develop Habitat into the centre of excellence on the themes of adequate shelter for all and sustainable urban development. By its resolution 17/7 of 14 May 1999 on the revitalization of the Habitat Centre, the Commission mandated the Executive Director to implement the new strategic vision comprehensively and encouraged him to implement fully, as a matter of urgency, all administrative and financial management reforms, as part of the ongoing revitalization process. By its resolution 17/20 of 14 May 1999 on the work programme and budget of the Centre for the biennium 2000-2001, the Commission approved the draft work programme along with the strategy contained therein to combine normative and operative functions, while underlining the need for the programme adequately to reflect the strategic vision for a revitalized Centre, and also endorsed the reorganization of the Centre.

III. Planning and organization

10. In its 1997 review, OIOS found that the Centre lacked a central thrust in programmatic activity, and that there was very little effective linkage between the research and programme functions; there was insufficient synergy between subprogrammes and efforts at capacity-building had faltered. OIOS recommended that the work programme should be more focused, better integrated and reflect the strong linkages between research and technical cooperation; it should also integrate the functions of the regional units within the overall programmatic structure. OIOS further recommended that any reorganization of the Centre should be aligned to the programme structure with its organizational elements mutually supportive of each other, and that the fragmentation of scarce resources over small units should be avoided (A/51/884, paras. 51 and 52).

11. Since then, the Centre has developed a strategic vision, realigned its work programme to that vision and restructured its organization. The strategic vision aims at recognizing the Centre as the United Nations city agency, which should adopt the style and profile of a global advocacy agency and use two strategic campaigns, each derived from one of the two main themes of the Habitat Agenda: one for secure tenure and the other on urban governance. The current inspection noted that the underlying principle of the new vision was to avoid the dispersion of effort, and to strengthen organizational coherence.

12. The draft work programme for 2000-2001 consists of two subprogrammes compared to eight in the past and is strategically focused with a limited number of well-defined objectives aimed at achieving the goals of the Habitat Agenda. It also differs from past programmes in stressing interlinkages between normative and operational activities. The programme emphasizes the strengthening of the strategic and operational partnerships of the Centre along with building up the Centre's comparative advantages, while ensuring that the Centre does not duplicate expertise available elsewhere, especially within the United Nations system. OIOS finds the new work programme, expressed in the format of objectives, expected results and performance indicators, to be an effective instrument for concentrating the Centre's resources and expertise on the priorities defined by its strategic vision. The inspection team shared with the management its observations concerning specific flaws and weaknesses it has detected in the formulation of some of the expected results and performance indicators. Those observations were accepted and will be implemented in the course of designing the work plans for the Centre's divisions for 2000-2001.

13. Concerning the new organizational structure (see annex), OIOS found that it fulfils the purpose of streamlining executive management and concentrating the Centre's resources on implementation of its two subprogrammes and their respective global campaigns. The reorganization envisages that the regional offices will become fully integrated into the work of the Centre and act as its regional focal points. OIOS finds the new structure to be in accord with the letter and spirit of its earlier recommendation.

14. Two substantive divisions, the Global Division and the Regional and Technical Cooperation Division, carry out the subprogrammes and a third provides support in programming, administrative and financial management, resource mobilization and facilitating cooperation with partners:

- The Global Division has overall responsibility for aligning the normative and policy activities of the Centre around two global campaigns of secure tenure and urban governance. A key component

of the Division is the Urban Secretariat, whose task is to provide support to both divisions in monitoring and assessment, developing indicators and statistics and disseminating best practices.

- The Regional and Technical Cooperation Division is tasked with projecting the Centre's campaigns into regions and providing direct policy and technical support to regional partners and fostering regional cooperation in urban and shelter development. Its important function is also to feed back knowledge gained into all policy components of the Centre.
- The Programme Support Division is tasked with ensuring, *inter alia*, that the Centre utilizes effective planning and has sound financial and administrative management and proper servicing of funding partners. The Division provides overall direction and guidance on the allocation and management of the Centre's resources and is responsible for designing a comprehensive fund-raising policy and managing fund-raising activities.

15. The inspection found that the Programme Support Division had to spend a considerable amount of time correcting the backlog of problems inherited from predecessors, while being simultaneously fully engaged in the set-up of the new organizational structure. There is an absence of strategic planning and guidance to tackle these problems comprehensively and in a coordinated manner, as well as time-frames for their eventual elimination.

16. On the positive side OIOS noted that, through donors' funding, the Centre commissioned consultants to develop an information technology strategy during the period from September to December 1999. The strategy defines a long-term information technology vision and sets implementation priorities (including a time-frame). Among the key issues addressed by the strategy are: development of project management tools to support all knowledge-intensive work and the control and monitoring of projects; enhancement of the use of the Internet and the World Wide Web for general communication and dissemination of information, and the relevant organizational structure.

17. The new organizational structure of the Centre was submitted to Headquarters for approval in February 1999. OIOS was concerned with the inordinate length of time spent at Headquarters in reviewing and clearing the draft Secretary-General's bulletin promulgating the new structure of the Centre. Eventually, the three interconnected bulletins relating to the three units in Nairobi were issued on 23 December 1999 (ST/SGB/1999/20, 21 and 22).

IV. Leadership and management

18. OIOS was strongly impressed by the dedicated, visionary and forceful leadership provided by the Acting Executive Director to an organization previously uncertain of its mission. However, keeping the Centre on course demands not only strong leadership, but also hands-on management. This is essential to obtain and provide the feedback necessary to ensure that the goals and objectives are being achieved. It is also essential from a motivational standpoint to assure staff that top management is working daily with them to advance the reform.

19. OIOS is concerned that the Acting Executive Director spends a large proportion of the official working hours away from Nairobi. OIOS appreciates his dedication in maintaining a high political visibility and is aware of the extreme intensity of the Acting Executive Director's work schedule while in Nairobi, which covers long hours and includes weekends. It was noted also that out of eight meetings of the Senior Management Group held in 1999, four were chaired by the Acting Executive Director in person, and that constant communication is maintained between him and his Acting Deputy during his absence. However, given the heavy competition for the Acting Executive Director's time between the Centre, the United Nations Office at Nairobi (UNON) and the United Nations Environment Programme (UNEP), OIOS does not consider this arrangement to be healthy or to meet the Centre's requirements.

V. Performance monitoring, evaluation and project appraisal

20. In its 1997 report, OIOS recommended that the Centre establish a mechanism for performance monitoring, evaluation and reporting, and that the project appraisal function be separated from the monitoring and evaluation function. It was further recommended that consideration of lessons learned be added to the project design process and that the rigour

of the appraisal process be increased (A/51/884, paras. 56, 57 and 59).

21. At the time of the current review, the Centre had established a monitoring mechanism and programme performance reporting which are incorporated into the Secretariat-wide Integrated Monitoring and Documentation Information System (IMDIS). A programme oversight system is operated by the Monitoring and Evaluation Unit, which is staffed by one Coordinator and provides methodological support and guidance to self-evaluation along with a substantive contribution to the establishment of mechanisms, criteria and guidelines for design, monitoring and evaluation of research and operational activities.

22. The inspection noted the proactive initiatives of the Coordinator of the Unit in producing an inventory of all current and envisaged evaluation activities of the Centre. Regrettably, the effort to transform this inventory into an interactive database was interrupted by the shortage of funds.

23. Another commendable initiative was participation in establishing the Nairobi Monitoring and Evaluation Network, which includes the United Nations entities, other international organizations, non-governmental organizations and academic and research institutions. The Network has provided a forum to share experiences and lessons learned and to discuss emerging issues. A valuable undertaking of the Network was conducting in September 1999 the inaugural meeting of the African Evaluation Association, which provided a unique opportunity for training and exchange of experience on a wide range of evaluation subjects, including topics of immediate relevance to the Centre's work.

24. The work of the Monitoring and Evaluation Unit will be challenged by the fusion of normative and operational activities envisaged by the revitalization process. This will require the development of coherent and compatible performance indicators and evaluation benchmarks applicable to both types of activities. It may not be feasible to accomplish this complex and resource-intensive task with the current meagre staffing of the Unit. It is also a task that will be certain to delay even more the development of the interactive evaluation database, an important instrument supporting the institutional memory of the Centre.

25. OIOS ascertained that the project appraisal function was separated from the monitoring and evaluation function in May 1997. It was noted that with the establishment of the Programme Review Committee, a project design checklist was developed to facilitate the assessment of activities at the design stage. The criteria included in the checklist have since been revised based on the experience gained and are being consistently used in the appraisal of project proposals. Additional mechanisms for strengthening feedback from past and ongoing projects are currently being considered.

VI. Administrative and financial management

26. In the 1997 report, OIOS recommended a set of measures aimed at strengthening financial control, assigning certifying and approving responsibilities, streamlining relevant organizational arrangements and managing overhead support costs (ibid., paras. 67 and 68).

27. The Centre has taken decisive measures to improve financial control and to ensure that regional offices have documented terms of delegated authority. This aspect of the recommendation is considered closed. However, while financial control has improved, the Centre still appears to be experiencing problems with financial management. In particular:

- Lack of adequate, accurate and timely financial information is seen as an obstacle towards further restoring donor confidence.
- The Centre is still facing problems in establishing an accurate picture of its financial position because the quality of the primary financial information is poor. This is an obstacle to sound financial planning of the Centre's activities.
- Computerized financial data exchange between Nairobi and the regional offices and field projects is virtually non-existent.

28. These problems are partly historical and partly attributable to the absence of procedures to verify, monitor and review the accuracy and completeness of financial data on a regular basis. The problem is further exacerbated by delays in the processing of inter-office vouchers. Although these problems largely relate to the financial services of UNON, it is up to the Centre to ensure that reliable standards are set and met.

29. UNON and the Centre are working together to address the immediate problem of inaccurate financial data. For instance, Habitat has provided project finance to UNON to strengthen temporarily the middle management of the Financial Resources Management Service of UNON and to make improvements in the recording and reporting of financial data. UNON and Habitat have also worked together to produce annual and quarterly "consolidated" accounts of all the income and expenditure, assets and liabilities, managed by the Centre. The production of these reports has highlighted a number of accounting issues that are currently being looked at. These include the need for reconciliation of inter-fund balances and control accounts on a regular basis, the need for closer monitoring of the level of staff receivables, and the need for better control over cash flows. However, these initiatives require more effective coordination and a determination of mechanisms and resources needed to provide the financial information in an accurate and timely manner.

VII. Financial situation

30. The Commission has warmly welcomed the revitalization effort as an important step in regaining donor confidence, a step that appears to have prompted several significant donors to positive financial responses. The optimistic reaction to this by management (see HS/C/17/2, para. 24) is contrasted, however, with a more sombre assessment from the Advisory Committee on Administrative and Budgetary Questions. In reviewing the Centre's proposed budget for 2000-2001, the Advisory Committee noted the positive developments in the revitalization of Habitat, while expressing its concern that it had yet to be reflected in an appreciable and sustained increase in contributed income and that the United Nations Habitat and Human Settlements Foundation remained exposed to risk of financial volatility and unpredictability. It noted that the increase in 1998-1999 was limited to the special-purpose contributions, whereas general-purpose income continued to decline, thus limiting the flexibility to respond quickly to programme opportunities (see HS/C/17/9/Add.1, para. 5).

31. Indeed, the expected income of the Foundation's general-purpose fund, which may be viewed as a measure of donor confidence, shrank in 1999 by 17 per cent compared to 1998, down to US$ 3,065,385. Owing to late payments, actual income, as of 1 October 1999, was only around 45 per cent of the expected income and, as a result, expenditures exceeded income for the most part of 1999.

32. A further blow to the Centre's financial stability will be the discontinuation, in December 1999, of the long-standing support of a major donor. This may result in the loss of Professional staff with specialized experience, which will impact on the programmatic capacity of the Habitat Centre.

33. Given that the Habitat Centre will be launching two global campaigns in 2000, energetic efforts both to demonstrate tangible improvements in financial and administrative management and to broaden the donor base are essential.

34. OIOS is mindful of the fact that the dynamics of contributions is not necessarily linked directly to the Centre's performance; various extraneous political and budgetary considerations of donor countries may influence contributions. A key element is the inevitable time lag needed to translate positive political appraisal by the donors into budgetary appropriations. During this key time of the revitalization process, it is important to demonstrate consistent, demonstrable and convincing results. Any slack or reversal in the revitalization effort could have a disproportionate negative effect on donors' confidence.

35. The Centre has done little to contact other United Nations agencies to see if there are lessons to be learned from the experiences of others in fund-raising and overall relations with donors.

VIII. Regional dimension

36. In the 1997 report, OIOS recommended that the strengthening of regional activities should be part of a well-articulated policy strategy in accordance with Commission on Human Settlements resolution 15/7 of 1 May 1995 (A/51/884, para. 54). In that connection, the Revitalization Team recommended that one of the best ways to integrate regional offices would be to provide for regular budget funding for part of the staff costs in each of them.[2] Concerning regionalization, the Commission, in its resolution 17/4 of 14 May 1999, requested the Executive Director, *inter alia*, to elaborate a comprehensive strategy for the representation of Habitat in the regions, its decentralized functions and its offices other than in Nairobi. The Executive Director stated, in that regard,

that owing to the current financial situation of the Centre, regional offices would need to be financed by the regions themselves, i.e., by combining overheads generated from projects executed in the respective regions with earmarked contributions from host countries (see HS/C/17/2, para. 62).

37. The regionalization policy, presented to the Commission on Human Settlements at its seventeenth session by the Acting Executive Director, envisaged that as part of the ongoing reorganization, the regional offices would become fully integrated into the work of the Centre and act as regional focal points for the global campaigns, as well as sources of high-quality inputs to the work of headquarters. The offices would thus have the ability to operate as an integral part of the Centre for the benefit of the regional member States, cities and partners. Provisions were made in the new structure to broaden the activities of the regional offices so that they reflect the integration between normative and operational capacities at the regional level. The work programme of the regional offices is designed to incorporate the Centre's work programme and the global campaigns, adapting the Centre's policies and strategies to the regions.

38. OIOS considers the regionalization activity to be one of the more successful areas of the revitalization process. The three regional offices covering Africa and the Arab States, Asia and the Pacific, and Latin America are established and have successfully developed operational, awareness-raising and capacity-building activities in relevant regions. OIOS noted economies realized by closing information offices in Amman and Mexico City and incorporating their activities into the respective regional offices.

39. However, OIOS noted that although two of the three regional offices – Africa and the Asia/Pacific – are financially stable, the third one is locked in a perpetual struggle for funds, relying almost entirely on earned overhead income. Such preoccupation with daily survival and the inherent unpredictability do not bode well for the long-term sustainability and coherent development of its normative capacity, unless some backstopping is put in place by the Centre.

40. The Centre intends to enhance the linkage between the operational activities and the normative function of the two global campaigns of Habitat by strengthening the analytical capacity of the regional offices. While it will undoubtedly enhance cross-pollination of the operational and normative activities of Habitat, it is difficult to contemplate how it can be achieved within the prevailing resource constraints. In this connection, OIOS finds merit in the aforementioned recommendation of the Revitalization Team to allocate regular budget resources towards this purpose.

41. OIOS also noted with interest the initiative under discussion to establish another regional office covering Central Asia and Eastern Europe and is of the view that such a course of action would strengthen international outreach and the operational capacity of Habitat.

IX. Institutional memory

42. In 1997, OIOS emphasized that there was an urgent need for effective institutional memory serving the needs of operational units and stakeholders (A/51/884, paras. 58 and 59). The current inspection found that progress towards that goal was uneven. While convincing results have been achieved in building institutional memory in specific substantive subject areas, such repositories of knowledge remain compartmentalized, with cross-cutting access either difficult or non-existent. Concerning the Centre's own organizational institutional memory, it remains amorphous and disjointed and requires a coherent strategy, expertise and resources to achieve the desired effectiveness.

43. Among successful examples of consistent and continuous development of specialized institutional memory are the series of quarterly and biennial summary reports on operational activities containing comprehensive information on financial, geographical and topical aspects of each project; the programme on the dissemination of best practices, which operates its own web site and distributes CD-ROMs; the compendium of indicators on human settlements development; and the inventory of evaluations and project appraisals, and others.

44. Centres of excellence concerning institutional memory do exist in Habitat, localized around specific areas and serving mostly narrowly defined user groups. To make this specialist institutional memory comprehensive and user-friendly, cross-linkages between the databases and universal access through multiple points of entry are required. Only with those

facilities in place would the interests of stakeholders be served effectively.

45. OIOS was encouraged by the fact that the Centre's management is cognizant of the need to develop a holistic approach to substantive institutional memory and prepared to act on it. The universal electronic access through an on-line interactive system is included in the terms of reference of the team developing a strategic information technology plan for Habitat. However, given its financial situation, the cost of such a project may be prohibitive.

46. As for the development of Habitat's own organizational institutional memory, it remains in the embryonic stage. The abolition years ago of its Documentation Centre, the need to vacate, because of financial constraints, a sizeable share of its former premises and the resultant chaotic disposal of records, the absence of a uniform taxonomy of records and an official archival policy: this negative legacy lingers on and has so far prevented any decisive steps towards resolving the problem. To move the situation from this lethargic point, a set of competent, practical steps is required. Unfortunately, the Centre lacks specialized expertise on records and archives management, and resorting to ad hoc solutions could only further aggravate the situation.

X. Management advisory mechanisms and internal communications

47. In 1997, OIOS recommended that appropriate institutional mechanisms should be established to advise management on programme policy and execution and, further, that management should invest time in improving horizontal and vertical communication within the secretariat to break compartmentalization (A/51/884, paras. 64 and 65). The 1999 inspection team was satisfied that the recommendations have been fully implemented; moreover, the Centre took advantage of the situation to help foster a new, more agile, multidisciplinary and results-oriented culture in the Centre. OIOS considers this to be one of the successes of revitalization.

48. The Centre has in place the elements of a strong structure for vertical communication. Senior management meets regularly and the minutes of its meetings are circulated electronically to all staff, regardless of location. This effort has been adopted throughout the Centre with weekly divisional meetings of section chiefs and similar meetings at the branch level.

49. Compartmentalization is being tackled through the creation of flex-teams which comprise staff from different subject areas (both normative and operational) who have been brought together to tackle a specific multidisciplinary problem. The important feature of this arrangement is that it does not require a specific case-by-case consideration and approval at the top level; the initiative of convening a flex-team can be taken at any horizontal level. Such flexibility is ensured by guidance to managers on the format and workings of flex-teams.

50. Staff currently have the option to volunteer to join a flex-team. This option requires the staff member to exercise good judgement in deciding whether his/her expertise and current workload, priorities and deadlines justify membership in a particular flex-team, and requires his/her supervisor to be equally objective and forthcoming in that regard. Currently, the atmosphere of encouragement and support prevails. But it is conceivable that frictions might surface when issues like assessments in the Performance Appraisal System for individual input into flex-team work, or possible conflicts between planned work and flex-team assignments and the like, would come to the fore. OIOS noted with satisfaction that such an eventuality is under consideration and possible incentive schemes, time management arrangements, links between flex-team participation and individual performance appraisals are being discussed. It is important to translate these discussions into concrete mechanisms, which would ensure that the flex-team format will survive the initial period of enthusiasm and continue as a permanent feature of the work culture.

XI. Personnel management

51. In 1997, OIOS recommended that the recruitment and promotion of staff under the "L" category (200 series of the Staff Rules) posts should be conducted through a reviewing body in accordance with clearly established criteria and that the assignment of advisers under the 200 series of the Staff Rules to carry out line functions and supervise staff under the 100 series of the Staff Rules should be discontinued (A/51/884, paras. 60 and 61).

52. In the course of the revitalization exercise, proposals for regularization of the "L"/200 series problem were made. At the time of the inspection, these proposals had still not been transformed into a coordinated strategy. Unfortunately, Habitat did not seize the opportunity to tackle this issue by clearly establishing which posts are under the 100 series and which are under the 200 series within the framework of the agreed new organizational structure.

53. In the view of the Centre's management, the procedures for recruitment and promotion of "L" category staff have been regularized, whereas the discontinuation of the assignment of "L"/200 series staff to line and supervisory functions was delayed until the completion of the revitalization exercise because of the prevalence of such personnel among the Centre's staff. OIOS recognizes that "L"/200 series staff comprise two thirds of the total Professional strength, and the two decades-long legacy of disregarding the clear distinction between personnel management under the 200 and 100 series of the Staff Rules by successive administrations does represent a serious challenge to the efforts of the current one to normalize the situation.

54. While awaiting the outcome of the revitalization exercise OIOS would have expected the Centre to ensure that nothing was done to further complicate the situation. However, staff serving under the "L"/200 series were placed in 100 series positions with line or supervisory functions; in July 1998, an "L"/200 series staff member was designated as Officer-in-Charge of Habitat for the periods of the Acting Executive Director's absences from Nairobi. Most recently, in April 1999, as a result of the provisional implementation of the new organizational structure, "L"/200 series staff were assigned, albeit on an acting basis, to core supervisory functions. While OIOS acknowledges that, at the time of the inspection, all senior supervisory positions in the Centre were advertised for appointment under the 100 series, it recommends that this exercise should be integrated into an all-encompassing systematic approach to the regularization of the personnel situation.

55. OIOS noted that appropriate action was recently taken to classify senior posts and issue vacancy announcements. The Centre should fill these vacancies expeditiously and in full observance of the established rules and procedures.

XII. Management training

56. The initial recommendation of OIOS was to introduce management training at various levels of management and on-the-job training for administrative staff (A/51/884, para. 71). The current inspection ascertained that administrative staff are being trained in the application of the Integrated Management Information System (IMIS) and, in most cases, also regarding the essential duties of their posts. The implementation of training activities belongs entirely to UNON; no regular budget funds are allotted to the Centre for that purpose. As the provider of services, UNON does not bear any responsibility for designing the human development strategy of Habitat; it is obviously the latter's responsibility. However, because of the perpetual shortage of resources, the Centre prepared no such programme.

57. OIOS noted with satisfaction that the Staff Development and Training Section of UNON maintains an excellent relationship and receives full support, within available resources, from the Staff Development Services of the Office of Human Resources Management. Under the Organization-wide programme for upgrading of skills, funds are allocated to Habitat through UNON, based on an annual training plan. It is expected that the training needs of the Centre are incorporated into the annual training plan. For the 1998-1999 biennium, $265,000 was allocated through UNON.

58. Eligible staff of Habitat attended the People Management Programme, either in New York or Nairobi in 1996, as well as the People Management Programme Follow-up Programme held in Nairobi in 1997. Both the Supervisory Skills Programme and the General Service Development course were held in Nairobi in 1999. Local trainers have been trained to conduct the General Service Development Programme on an ongoing basis.

59. With regard to financial management tranining, the centrally coordinated training programme of the Office of Human Resources Management on United Nations budget and finance was conducted in Nairobi from 8 to 10 December 1999 for staff in the Budget and Funds Management Service of UNON, as well as administrative staff of substantive areas within UNEP and Habitat. At that time, the programme manager from New York and the course facilitator worked with Nairobi-based focal points and provided them with

training material to assist them in building local capacity to carry out additional coaching of staff. Additional training on financial management will be carried out in 2000.

60. OIOS noted with satisfaction that with respect to the need for managerial culture change, the Office of Human Resources Management expressed readiness to work with the new senior management of Habitat to organize a programme to address this issue in 2000. Such a programme may be funded out of the regular budget funds for managerial training.

61. OIOS believes that these positive developments should give impetus to the Centre's management to recognize that the current situation demands comprehensive and far-reaching managerial training, especially in the area of financial management. A comprehensive and viable plan of action in this regard should be prepared and the problem of the existing resource limitations should be tackled creatively.

62. Indeed, the revitalization ideology put emphasis on fusion between normative and operational activities, which are now more often than not under single management. But each of these two functions requires a distinct set of managerial skills, in particular, with regard to the financial management of project-type activities. Such skills should be mastered through structured training relying on best practices and cutting-edge approaches in each area. Furthermore, Habitat will shortly be led by a new senior management team with different backgrounds, conceptual vision, personal style, and so forth. To OIOS this seems an opportune and propitious junction, when the Centre is engaged in transforming its managerial culture, to demonstrate its foresight by envisaging a management training exercise at some point during 2000 to ensure that the new team and its subordinate level of management are guided by the same managerial philosophy and equipped with most effective techniques. Given that the need for managerial capacity-building is acknowledged, the key question, as in most cases, is how to fund such an exercise.

63. There could be two possible solutions. The first one is to allot a certain percentage of staff costs to support management training, to introduce a "training levy" on operational overhead. That would of course require a rearrangement of other activities financed from the same source. Another option is to make a well-founded, convincing request to donor countries, through the Committee of Permanent Representatives, for an earmarked contribution, including the programme, scope and budget of the proposed training.

XIII. Internal information and staff morale

64. In its initial review, OIOS recommended that management increase transparency and information on important matters of concern to the staff. The inspection found that conscientious efforts towards that end were made at the outset of the revitalization exercise. Morale was boosted by staff involvement in the discussion of the drafts prepared by the Revitalization Team, the establishment of such new channels of communication as the monthly issuance of the Habitat bulletin, distribution via e-mail of the minutes of the Senior Management Group meetings to all staff, both at headquarters and in the field, and divisional electronic bulletin boards. The meetings and consultations between the Acting Executive Director and the staff had tangible positive impact.

65. Effective internal communications should comprise dissemination of information from management to the staff, consultations with the staff on the content and meaning of this information, and feedback from the staff on their reaction and understanding. The OIOS assessment is that while the first component — information from top down — is functioning, the other two are in need of improvement.

66. It appears that with the passage of time and as the revitalization exercise went into its implementation phase, the issue of maintaining transparent communication became less of a priority on management's agenda. Communications became one-directional — from management to the staff, and regular consultations on issues of concern to the staff and to secure their feedback ceased to exist. Meetings with staff representatives now take place rather irregularly and only on request of the staff. The contents of bulletins and other communications have become limited solely to programmatic issues, while matters of vital interest to the staff such as personnel policy, restructuring and redeployments have been given little or no attention.

67. This is regrettable, because as the revitalization enters its organizational and administrative phase, as

issues of appointments, promotions, reassignments and job security inevitably move to the forefront, the need for open communication with the staff and demonstrable efforts to take their concerns into account becomes acutely felt. OIOS feels that the recent lapse in dialogue with the staff has negatively affected staff morale.

XIV. Delegation of authority

68. The concluding recommendation of the initial OIOS report was that the Department of Management should *monitor more rigorously* the authorities delegated to the management of the Centre in order to ensure that they were properly exercised (A/51/884, para. 72). The current inspection ascertained that issues related to delegated authority in human resources management were discussed by the Department of Management with the Acting Executive Director as the need arose. Such discussions were complemented by a monitoring visit of the Assistant Secretary-General for Human Resources Management to Nairobi in June 1999. As a result of that visit, a human resources management review of the Centre is envisaged. OIOS also noted that the Department of Management uses IMIS for monitoring Habitat post incumbency reports on a monthly basis and that it is envisaged to establish on-line access to such information.

69. On a related issue, OIOS was concerned that there was insufficient guidance provided to the new Acting Executive Director at the acceptance of his duties on his authority and terms of reference in regard to the three different entities — Habitat, UNEP and UNON — which he was to head. OIOS is of the view that induction and formal guidance are essential, given the broad differences in the scope of authorities delegated to the three organizational entities in Nairobi, of which UNEP has the broadest delegation and Habitat has the narrowest.

XV. Conclusion

70. The revitalization of Habitat was given a solid conceptual start and visionary strategic direction. It has contributed to decisive advances in focusing the limited resources of the Centre on precisely defined strategic goals and streamlining the organizational structure accordingly. Regrettably, owing to the historical heritage of serious unresolved problems, reform of financial and personnel management could not keep up with the programmatic revitalization. That impacted negatively on staff morale and on potential improvements in donors' confidence.

71. The crucial issue now is not to allow the revitalization momentum to slacken because of weaknesses in the area of financial and human resources management. The policy commitments to improve these areas must be persistently translated into coherent and effective action. The challenge of resource limitations should not be viewed as an obstacle to revitalization, but should be met through demonstrably credible administrative and financial performance.

72. Financial and personnel management should be moved to the forefront of the ongoing revitalization process. Effective and far-reaching measures should be developed as soon as possible in regard to both areas, with well-defined milestones, deadlines and personal responsibilities assigned for implementing each item on time. The normalization of the personnel structure should be carried out without any further delay, in conditions of full transparency, based on established criteria of professional competence, performance and programmatic requirements.

XVI. Recommendations*

73. Habitat should consider, as a priority, strengthening the resource base of the Monitoring and Evaluation Unit (SP-99-003-1)** (see paras. 20-25 above).

> *The Centre accepts this recommendation. Actions to strengthen the resource base of the Monitoring and Evaluation Unit have already been initiated with the application to a funding partner for a Junior Professional Officer position within the Unit. Efforts to increase the operating budget of the Unit will also be pursued.*

74. The Programme Support Division should, in consultation with UNON and key donors, review and finalize its financial management information requirements; review the mechanisms and resources

* Responses by the Centre and the Department of Management appear in italics under the relevant recommendations.

** An internal code used by the Office of Internal Oversight Services.

required to ensure that financial information is provided in an accurate and timely manner; and examine ways of improving electronic financial data exchanges between regional offices, field projects and Nairobi (SP-99-003-2)** (see paras. 26-29 above).

The Centre fully supports the recommendation. Currently, Programme Management Officers have been given on-line access to financial databases maintained by UNON, and also an experiment is under way to test computerized financial data exchange between Nairobi and the Asia and Pacific Regional Office. All these initiatives are part of a coordinated approach towards improvement of the financial management of the Centre.

75. The Centre should give serious consideration to enhancing the effectiveness of its resource mobilization by drawing on the innovative approaches of other United Nations funds and programmes. The review of the fund-raising concepts and techniques of major successful non-governmental organizations may also produce some useful insights for reviewing the Centre's policies in this regard (SP-99-003-3)** (see paras. 30-35 above).

The Centre fully agrees with the recommendation and plans to give it serious consideration. Contacts have already been made, especially with UNEP and the United Nations Children's Fund (UNICEF) to learn from their experiences. This information is being utilized in the currently ongoing preparation of a fund-raising strategy, which will be geared especially towards the diversification of Habitat's funding base and will increase income from voluntary contributions.

76. The Centre should conduct an in-depth review of the financial sustainability of regional offices and develop measures necessary to ensure such sustainability in the long term. As part of this review, various ways and means of financial support, including the provision of additional regular budget resources and/or outposting of headquarters personnel to regional offices, should be considered (SP-99-003-4)** (see paras. 36-41 above).

The Centre fully supports the recommendation. Currently, the possible reallocation of regular budget posts to the regional offices is being reviewed.

77. The Centre should seek specialized assistance from the Archives and Records Management Section of the Office of Central Support Services of the Secretariat in setting up its records and archives management system. Consideration should be given to seeking a donor contribution if additional resources are necessary (SP-99-003-5)** (see paras. 44-46 above).

The Centre accepts the recommendation and is fully aware of the need to address the issue. Habitat will seek specialized assistance from the relevant United Nations Offices in New York and is planning to mobilize any additional resources that may be required.

78. Habitat should set a specific deadline for designing effective mechanisms of incentives and safeguards that will encourage both individual participation in flex-teams and support from supervisors for such participation by their staff (SP-99-003-6)** (see paras. 49 and 50 above)

The Centre agrees with this recommendation and will take appropriate measures to implement it.

79. Systematic action should be taken to reclassify all posts in the new organizational structure according to their levels and types of service and to decide which posts belong to either the 100 or 200 series. Criteria should be put in place to evaluate the serving staff against the new staffing table, and due consideration should be given to satisfactory performance and length of service. Appropriate advisory bodies on appointment and promotion should be constituted in accordance with established United Nations policies and procedures (SP-99-003-7)** (see paras. 54 and 55 above).

The Centre informed OIOS that it fully accepted the recommendation and has already taken a number of practical steps towards its implementation, some of which require timely advice and assistance from the Office of Human Resources Management of the Secretariat.

80. Habitat should (SP-99-003-8)** (see paras. 61-63 above):

(a) Carry out a needs assessment with regard to management capacity-building, design an appropriate strategic plan concerning relevant training, and appoint a coordinator for the issue;

(b) Launch an active search for creative solutions to finance the exercise.

The Centre agrees with the recommendation. It will, however, not be possible to appoint a full-time coordinator for the issue considering the current difficult financial situation of Habitat. It would be more feasible to designate a focal point for management capacity-building within Habitat.

81. Management should revive dialogue with the staff, and meet with them on a regular basis, and use participatory channels of communication to mobilize active and dedicated support for revitalization (SP-99-003-9)** (see paras. 64-67 above).

The Centre agrees with the recommendation and will intensify the efforts that have been made to improve communication and increase consultation with staff. Many efforts were made during the second half of 1999 to address personnel issues related to the reduction of some earmarked activities. Staff morale has been boosted by the commitment from senior management to try and limit staff cuts to the very minimum.

82. The Department of Management should carry out a review of authority delegated to the three entities in Nairobi with a view to rationalizing the situation (SP-99-003-10)** (see paras. 68 and 69 above).

83. Consideration should be given to including a briefing on terms of reference and delegation of authority in the induction procedures for newly appointed senior officials (SP-99-003-11)** (see paras. 68 and 69 above).

The Under-Secretary-General for Management stated that this recommendation would be given consideration in the year 2000.

(*Signed*) Hans **Corell**
Under-Secretary-General
Overseer, Office of Internal Oversight Services

Notes

[1] See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 8* (A/54/8), annex I.

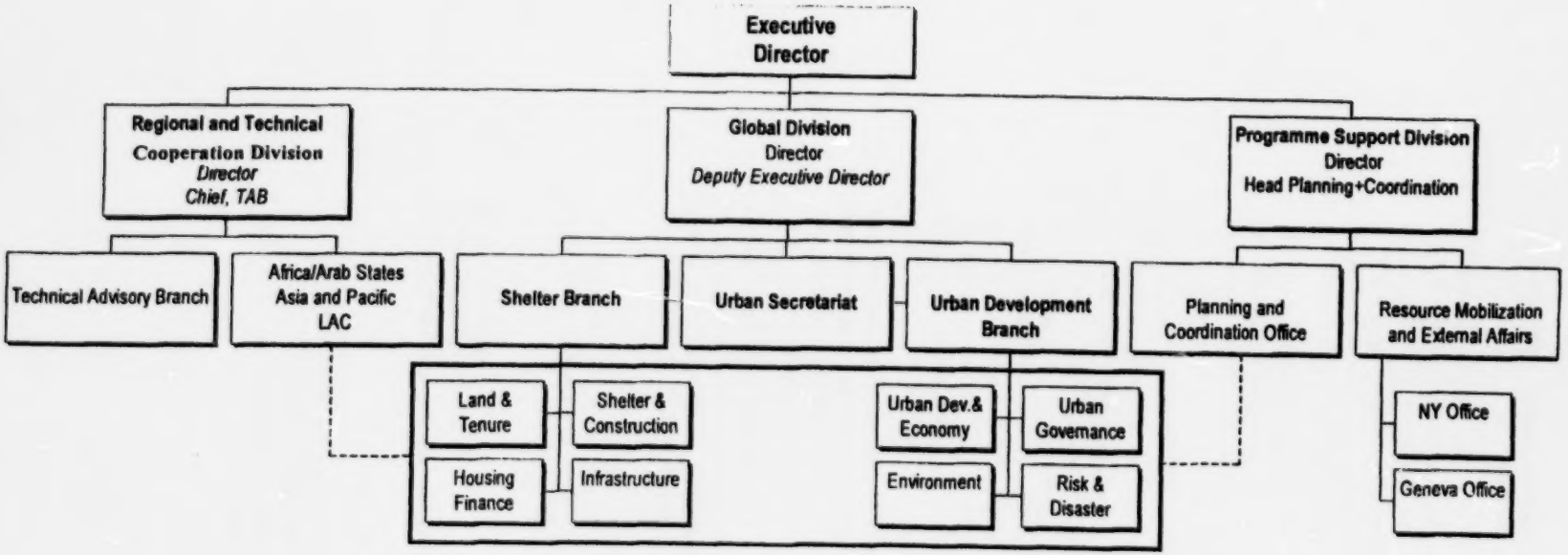
[2] "New Organizational Structure for Habitat", draft dated 28 January 1999, para. 3.1.6.

Annex

United Nations Centre for Human Settlements (Habitat)

" The City Agency "

ORGANIZATIONAL STRUCTURE



United Nations A/54/765

General Assembly

Distr.: General
23 February 2000
Original: English

Fifty-fourth session
Agenda items 127 and 151 (a)

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations: financing of the United Nations peacekeeping operations

Report of the Office of Internal Oversight Services on the audit of contingent-owned equipment procedures and payments to troop-contributing countries

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General, Overseer of the Office of Internal Oversight Services, on the audit of contingent-owned equipment procedures and payments to troop-contributing countries.

2. The Secretary-General takes note of its findings and concurs with its recommendations.

00-31754 (E) 100300

Report of the Office of Internal Oversight Services on the audit of continent-owned equipment procedures and payments to troop-contributing countries

Summary

On 11 April 1996, the General Assembly, by its resolution 50/222, adopted revised procedures for reimbursing troop-contributing countries for equipment used in peacekeeping missions. The Office of Internal Oversight Services (OIOS) found that the revised contingent-owned equipment (COE) procedures constituted a meaningful reform that had rationalized the previously complex procedures, resulting in greater economy and efficiency. However, OIOS found that improvements were needed in several areas in order to fully realize the cost savings and efficiency gains anticipated when the revised procedures were introduced. The audit focused on the implementation of the new procedures by the Department of Peacekeeping Operations. OIOS also examined the procedures for reimbursing Member States for troop contributions.

Significant findings included the following:

- The Department of Peacekeeping Operations needs to develop a plan to convert contingents in ongoing missions, which are still under the old COE system, to the revised COE procedures.
- The negotiation of memoranda of understanding with troop-contributing s that it would be more appropriate if trrequiring the input of several divisions within the Department of Peacekeeping Operations and other departments. The focal point for these negotiations is the Department's Finance Management and Support Service, which also reviews and certifies payments to troop-contributing countries. This has resulted in inadequate segregation of duties.
- Procedures adopted to reimburse troop-contributing countries for inland transport and COE preparation costs resulted in non-compliance with financial and procurement rules.
- Payments for COE preparation costs and inland transport charges were often made on the basis of claims submitted by the troop-contributing countries. One claim of $2.6 million, for painting and repainting COE, was not adequately documented, and was overstated by approximately $750,000, according to the Department's own assessment.
- The Department's procedures for missions to verify and report on COE utilization were overly complex and did not add significant value.
- The Department had not established adequate administrative arrangements for processing COE claims.
- At the time of audit, approximately $463 million in claims for COE had still not been finalized for payment. This represented 36 per cent of the total claims backlog.
- Payments for troop contributions are based on troop-strength reports which had not been certified by peacekeeping missions.

- Based on the findings, the report makes nine recommendations, which include measures for enhancing the process of negotiating memoranda of understanding, improving the Department's administrative arrangements for reimbursement to troop contributors, strengthening procedures to reimburse Member States for equipment preparation and inland transport costs, and simplifying COE reporting procedures.

Contents

		Paragraphs	*Page*
I.	Introduction	1–4	5
II.	Revised COE procedures: outstanding issues	5–9	5
	A. Conversion to the revised procedures	5–7	5
	B. Contingents' self-sustainment capabilities	8–9	6
III.	Procedures for negotiating memoranda of understanding need to be reassessed	10–14	7
IV.	COE preparation and inland transportation charges	15–18	8
	A. Reimbursement rates need to be established	15–17	8
	B. Non-compliance with financial and procurement rules	18	9
V.	Verification reporting cycle needs to be streamlined	19–21	9
VI.	COE reimbursement: need for timely and efficient processing	22–26	10
	A. Administrative arrangements need to be fully established	22–25	10
	B. Basis for reimbursement needs to be re-evaluated	26	11
VII.	Reimbursement procedures for troop contributions	27–30	12
VIII.	Recommendations	31	12

I. Introduction

1. With the advent of large-scale peacekeeping missions, it became clear that the procedures for determining reimbursements to troop-contributing countries for contingent-owned equipment (COE) had become cumbersome to manage, both for Member States and the Organization. In section II of its resolution 49/233 of 23 December 1994, the General Assembly authorized the Secretary-General, with the participation of Member States, to proceed with a project to set standards for each category of equipment and to establish rates of reimbursement. Based on the recommendations of the Phase I, II and III Working Groups on Reimbursement of Contingent-Owned Equipment, revised reimbursement procedures were adopted by the Assembly in its resolution 50/222 of 11 April 1996.

2. The audit found that the revised COE procedures had largely achieved their objectives of simplifying reimbursements to troop-contributing countries for their contributions of COE to peacekeeping missions. The revised procedures also enabled the Secretariat to budget more accurately for peacekeeping missions. Despite these major achievements, the Office of Internal Oversight Services (OIOS) found that there were a number of areas where the revised procedures could be further improved in order to optimize economy and efficiency.

3. The objectives of the audit were to: (a) review progress made in transitioning to the revised procedures in ongoing peacekeeping missions; (b) determine the effectiveness of procedures for negotiating the memorandum of understanding with troop contributors; (c) examine the appropriateness of procedures for reimbursement of COE preparation and inland transport costs; (d) assess the COE and self-sustainment verification reporting procedures; and (e) determine the effectiveness of procedures to reimburse Member States for COE and troop contributions. The present report incorporates findings on various aspects of the revised COE procedures based on audits of the United Nations Mission in the Central African Republic (MINURCA), the United Nations Interim Force in Lebanon (UNIFIL), the United Nations Disengagement Observer Force (UNDOF) and the United Nations Peace Forces (UNPF).

4. A draft of the report was made available to the Department of Peacekeeping Operations and the Office of Programme Planning, Budget and Accounts for their review. Their comments have been taken into account and are identified by the use of italics.

II. Revised COE procedures: outstanding issues

A. Conversion to the revised procedures

5. On 1 July 1996, the revised COE procedures came into effect, and all new missions and new contingents in existing missions were required to follow them. For those missions that started before the revised procedures came into effect, it was intended that the contingents would eventually adopt the revised procedures. The Phase IV Working Group on Reimbursement of Contingent-Owned Equipment recommended, in its report (A/C.5/52/39, para. 72), that a transitional plan be formulated by the Secretariat for consideration and approval by the General Assembly by the end of 1998.

6. OIOS found, however, that the Department of Peacekeeping Operations had made only limited progress towards developing a plan for converting contingents to the revised procedures. This situation resulted in some inefficiencies since a dual system of old and revised procedures existed in some missions. OIOS believes that, in order to realize the efficiency gains that would result from the revised procedures, a plan needs to be promptly finalized and a deadline established for all contingents to facilitate conversion to the revised procedures.

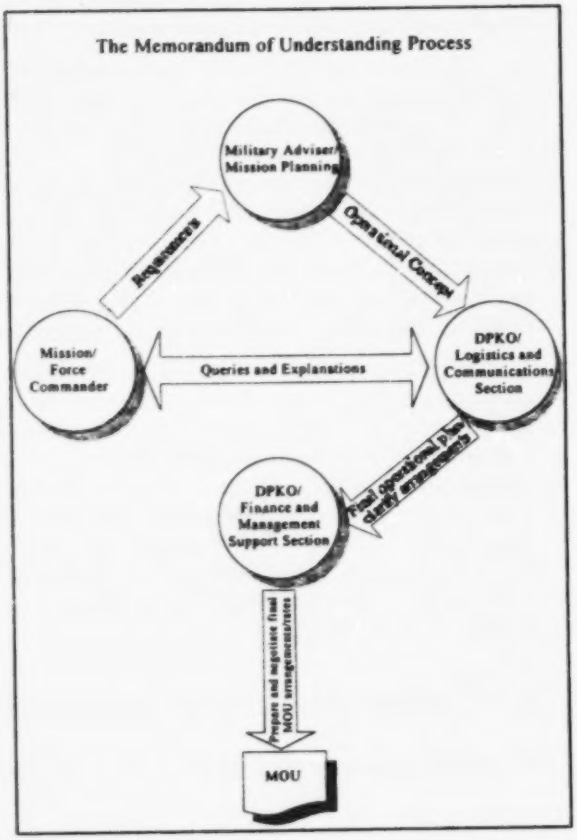
7. Some of the benefits lost by not implementing the revised procedures were illustrated by the findings of a 1998 OIOS audit of UNIFIL, which the Department had designated as the "model mission" for conversion to the revised COE procedures. OIOS identified barriers to implementing the revised procedures within the mission which included a general reluctance to adopt the revised procedures. As a result, UNIFIL lost opportunities to simplify operations by reducing its maintenance and logistics support requirements. Opportunities may also have been lost to replace the ageing United Nations-owned military equipment fleet and to reduce mission staffing levels, which could have resulted in more economical operations.

B. Contingents' self-sustainment capabilities

8. Another factor restricting the effectiveness of the revised procedures was the inability of all contingents to provide for their self-sustainment. Under the revised COE procedures contingents are required to provide all the equipment and other resources needed for self-sustainment during the peacekeeping mission. This includes essential items such as catering, office equipment and supplies, electrical supply, minor engineering, laundry and cleaning, and accommodation. Situations may arise in missions where the capabilities of contingents to meet these requirements differ. For example, MINURCA had to provide catering, office facilities, accommodation, and minor engineering because some contingents were unable to sustain themselves.

9. If contingents are unable to provide for their self-sustainment, missions need to fulfil this requirement. However, this approach would normally be feasible only if self-sustainment were provided to all contingents in a mission, allowing for economies of scale. In the opinion of OIOS, such situations need to be taken into account during the mission planning stage and may require an assessment of capabilities in these areas when selecting contingents.

III. Procedures for negotiating memoranda of understanding need to be reassessed



10. A central element of the new COE procedures involves the establishment of a memorandum of understanding between the United Nations and the troop-contributing country. The memorandum outlines, among other things, the specific equipment and other services to be provided by the troop contributor and establishes the reimbursement rate. The OIOS review of selected contingents found that in all cases they were deployed before the memorandum of understanding had been signed. The maximum time required to sign the memorandum after the deployment of troops was 30 months and the minimum time required was five months. While recognizing that contingents may have to be deployed on very short notice, OIOS considers the length of time required to finalize the memoranda to be excessive. The delays resulted from time requirements to clear the memorandum at Headquarters and the subsequent review of the draft memorandum by the concerned troop-contributing countries. The Department of Peacekeeping Operations therefore needs to reassess internal procedures for reviewing and obtaining clearance for memoranda of understanding with a view to streamlining the process.

11. The OIOS review of the documentation underlying the memoranda of understanding indicated that there was little systematic recording of the negotiation process. To ensure an effective negotiating process it is necessary to document each step fully by preparing minutes of meetings and other records of discussions with troop-contributing countries to preserve institutional memory and ensure transparency. Moreover, prior to February 1998 the negotiations were to a large extent carried out by gratis military personnel who were not always well versed in negotiating procedures and documentation requirements. This compounded the lack of transparency in the negotiations process.

12. As a result of a 1996 OIOS observation of the negotiation process in UNPF, the Department of Peacekeeping Operations had agreed to, but did not implement, a

recommendation requiring that minutes and other formal records of COE negotiations should be maintained. In order to correct this situation, the Department needs to establish appropriate procedures for carrying out negotiations with the troop contributors and to maintain minutes and other records of meetings.

13. The Department's Finance Management and Support Service is the focal point for negotiations with the troop-contributing countries. These negotiations result in a contract between the troop contributor and the Organization for the provision of COE and troops to a peacekeeping mission. The OIOS review found that the current arrangements did not provide adequate segregation of duties because the Finance Management and Support Service is also responsible for reviewing and certifying troop contributors' claims. The Department therefore needs to determine the possibility of establishing more appropriate arrangements. However, the Finance Management and Support Service would still have to be involved in assessing the financial implications resulting from the negotiations.

14. In its response to the draft report, the Department of Peacekeeping Operations stated that it: "*... does not believe there is a conflict of interest by the Finance Management and Support Service being the focal point for memoranda of understanding negotiations and being responsible for processing contingent COE claims, since both the Logistics and Communications Service and the Mission Planning Service are integral parts of the negotiating team. Furthermore, it seems sensible to consolidate all financial aspects of peacekeeping operations in the Finance Management and Support Service, from assessing the financial implications to the Organization resulting from the negotiations to the processing of the related reimbursement claims*".

IV. COE preparation and inland transportation charges

A. Reimbursement rates need to be established

15. The COE Manual sets out procedures for preparation of COE for deployment to missions and the subsequent return to its original condition in accordance with standards defined by the United Nations. The COE Manual indicates that these costs will be assessed and reimbursed on the basis of a claim. The audit found, however, that the costs charged by troop-contributing countries for similar services varied widely and that claims submitted often lacked sufficient documentation to substantiate payment. Furthermore, standard reimbursement rates for preparation costs had not been established which, in the view of OIOS, results in arbitrary reimbursement decisions.

16. In one case reviewed, a $2.6 million claim had been submitted for painting and repainting of COE. The claim, which was received without adequate supporting documentation, was reviewed by the Department of Peacekeeping Operations, which indicated that a more realistic estimate of the cost was approximately $750,000 less than the claimed amount. In such a case the claim should have been returned for additional supporting documentation.

17. OIOS also reviewed inland transportation charges and found that standard reimbursement rates had not been established. This complicated the reimbursement process since it was often difficult to assess the reasonableness of the transport rates

charged by the troop contributor. For example, the Department of Peacekeeping Operations had approved an inland transport claim of $131,000, which included charges for administration, travel costs, fuel and lubricants, and vehicle wear and tear. However, there was no documentation on file to indicate that the claim had been reviewed and on what basis it had been accepted for payment. In the view of OIOS, a standard formula acceptable to all parties should be developed to reimburse troop contributors for inland transport claims.

B. Non-compliance with financial and procurement rules

18. OIOS also believes that the established procedures for reimbursing COE preparation and inland transport cost do not comply with the Organization's Financial Regulations and Rules. In particular, financial rule 110.5, which states that no commitment should be made for amounts exceeding $1,000 without recording an obligation, had not been complied with. Nor had these charges, which may be substantial, followed the Organization's procurement or letter of assist procedures. Until a standard costing formula is established for reimbursement of these costs to troop contributors, these services should be treated as any other contract for services and be processed under normal procurement or letter of assist procedures.

V. Verification reporting cycle needs to be streamlined

19. The basic principles of the revised procedures for COE and self-sustainment are simplicity, accountability as well as financial and management control. However, these principles had not been fully applied to the verification reporting procedures for COE. OIOS believes the reporting requirements could be streamlined which, in turn, would reduce resource requirements both in missions and at Headquarters. The COE Manual provides for missions to verify and report to the Department of Peacekeeping Operations at various stages, as set out in the table below:

Report	*Scope of report*
Arrival	Covers all the equipment and services for which reimbursement is sought in the memorandum of understanding. Should be finalized within one month of the contingent's arrival.
Monthly reporting	Reports to Headquarters on shortcomings in the equipment and self-sustainment that could not be resolved in the mission and which prevent the contingent from fulfilling its mandate.
Operational readiness	Conducted at least once every six months. May be restricted to areas of concern as decided by the Force Commander or Chief Administrative Officer.
Repatriation	Carried out at the time of repatriation. Verifies that all COE is accounted for and ascertains whether all of the Organization's equipment is returned.

20. In the opinion of OIOS, monthly reporting to confirm the serviceability of each category of COE does not add significant value to the monitoring of compliance

with the memorandum of understanding. In addition, the procedure at Headquarters involves regular reviews by five staff members from the General Service level to the Senior Officer level. The OIOS review of selected monthly verification reports indicated that the processing time normally exceeded one month, and in many cases took substantially longer. OIOS believes that the monthly reporting requirements could be eliminated if missions reported non-compliance with the memorandum of understanding on an exception basis. Missions should, however, develop their own internal COE inspection procedures in order to report exceptions to the Department of Peacekeeping Operations.

21. OIOS also believes that the monthly self-sustainment reporting requirement is unnecessary. An operational readiness report would be sufficient to determine compliance with the requirements of the memorandum of understanding on which reimbursement is based. There is little additional value gained by having missions verify COE self-sustainment categories monthly.

VI. COE reimbursement: need for timely and efficient processing

A. Administrative arrangements need to be fully established

22. Reviewing and certifying claims in a timely and efficient manner are essential aspects of both the old and revised COE processes. The audit found, however, that the COE claims process needs significant improvement to ensure the timely forwarding of claims to the Office of Programme Planning, Budget and Accounts and the liquidation of obligations. At the time of the audit, there was a backlog of approximately 185 claims amounting to approximately $463 million. This represented 36 per cent of the total claims backlog. OIOS believes this situation resulted from a number of factors, including:

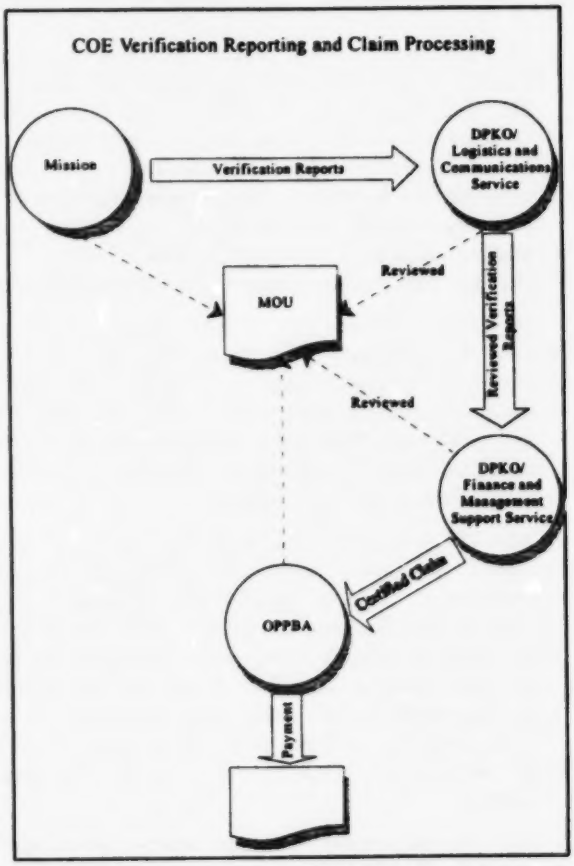
- Insufficient staffing to process the claims.
- Lack of adequate work flow and procedures within the Finance Management and Support Section of the Department of Peacekeeping Operations.
- The complicated process of verification reporting, which serves as the basis against which claims are assessed.
- Delays in signing memoranda of understanding.
- The backlog resulting from troop-contributing countries having elected to be reimbursed retroactively under the revised COE procedures.

OIOS concluded that the COE claims process needs additional management attention.

23. The Claims and Information Management Section of the Department of Peacekeeping Operations is responsible for processing COE claims. At the end of February 1999, this section was required to release 14 gratis personnel who had assisted in processing COE claims. Since the recent departure of the head of the section for mission assignment, only two staff members remained to deal with COE matters.

24. Except for the COE Manual, there were few written operating procedures, especially for the revised COE procedures, to guide the unit's work. The filing system was also inadequate, making it difficult for the section to retrieve information.

25. In its resolution 52/248 of 26 June 1998, the General Assembly approved the addition of four Professional posts and the redeployment of one General Service-level post to the Claims Administration Unit. Three of the Professional posts had recently been filled. However, at the time of writing of this report, the incumbents had not yet reported for duty. OIOS believes that the remaining posts should be quickly filled to enable timely and orderly claims processing. A similar recruitment situation existed in the Logistics and Communications Service of the Department of Peacekeeping Operations, which is responsible for processing verification reports, among other duties. In addition, the Department needs to establish a training programme and prepare standard operating procedures for processing claims in order to improve the unit's efficiency. Moreover, OIOS believes that consideration should be given to employing temporary assistance personnel to help clear the existing backlog.



B. Basis for reimbursement needs to be re-evaluated

26. As mentioned previously, one of the expected benefits of the revised COE system was simplified procedures, including those for claims processing. In this regard, the Department of Peacekeeping Operations had not taken full advantage of the revised procedures. For example, claims were processed based on verification reports which, as described in paragraphs 19 to 21 above, were unnecessarily cumbersome. Since the COE reimbursement rates are already included in the memorandum of understanding, procedures could be simplified by processing claims on the basis of exception reporting, with missions forwarding the exception report directly to the Finance Management and Support Service. This would

eliminate the lengthy verification report-processing period currently experienced at Headquarters.

VII. Reimbursement procedures for troop contributions

27. Under the current procedures, missions report monthly troop strength figures directly to the Peacekeeping Financing Division of the Office of Programme Planning, Budget and Accounts, which processes troop reimbursement claims. The Office reviews the troop strength figures prior to approving them for payment; however, this fails to provide adequate control since the Office's information is not sufficient to determine if the figures are correct. OIOS is of the opinion that, in order to establish accountability, the current procedures need to be amended by making mission Chief Administrative Officers responsible for certifying troop strength numbers sent to the Office of Programme Planning, Budget and Accounts.

28. Field audits of peacekeeping missions have also frequently found that internal controls for reporting of troop strength figures were inadequate. For example, in both UNIFIL and UNDOF the military components were responsible for completing the troop strength reports with little involvement by the civilian administration. In the opinion of OIOS, for internal controls to be effective, the civilian administration needs to establish systems and procedures for reporting troop strength figures and regularly monitor these reports.

29. OIOS believes that it would be more appropriate if troop reimbursement claims processing were also performed by the Department of Peacekeeping Operations, since it handles the financial aspects of peacekeeping operations. Having that Department perform this function would consolidate all aspects of peacekeeping claims within one department, thereby improving controls over claims and other financial activities. Moreover, the Department of Peacekeeping Operations has responsibility for establishing procedures in peacekeeping missions. Making it responsible for troop payments would therefore strengthen the coordination between the mission and Headquarters and provide greater overall control of financial matters.

30. The Department of Peacekeeping Operations responded to the draft report, and the Office of Programme Planning, Budget and Accounts concurred, that: "*This matter has been extensively reviewed in the past and we believe that until such time that assessed contributions are paid in full in a timely manner, there are distinct advantages for these functions to remain with the Office of Programme Planning, Budget and Accounts.*"

VIII. Recommendations

31. OIOS made the following recommendations, which were intended to facilitate implementation of the revised COE procedures, and to improve processing of claims for COE and troop contributions. Comments received from the Department of Peacekeeping Operations and the Office of Programme Planning, Budget and Accounts on the implementation status of the recommendations are summarized below each recommendation.

Recommendation 1

The Department of Peacekeeping Operations should establish procedures and time-frames for contingents in current missions to convert to the revised COE procedures (AP99/78/5/01).*

Implementation status: *The Department of Peacekeeping Operations stated that procedures and time-frames for contingents in current missions to convert to the revised COE procedures have been proposed by the Phase IV Working Group on Reimbursement of Contingent-Owned Equipment and are being implemented.*

Recommendation 2

The Department of Peacekeeping Operations should ensure, to the extent possible, that uniform self-sustainment arrangements are made for all contingents serving in peacekeeping missions, in order to avoid uneconomical arrangements resulting from the need to provide different levels of service for some contingents (AP99/78/5/02).*

Implementation status: *OIOS concurs that the Department of Peacekeeping Operations has taken adequate steps to implement the recommendation.*

Recommendation 3

The Department of Peacekeeping Operations should take steps to ensure that all COE negotiations with troop-contributing countries are fully documented by maintaining minutes of meetings and other records of the negotiations process (AP99/78/5/03).*

Implementation status: *OIOS concurs that the Department of Peacekeeping Operations has taken adequate steps to implement the recommendation.*

Recommendation 4

The Department of Peacekeeping Operations should ensure that reimbursements for inland transport and preparation costs incurred by the troop-contributing countries are made in accordance with the relevant United Nations financial and procurement rules. Furthermore, consideration should be given to establishing standard costing schedules for the reimbursement of these costs (AP99/78/5/04).*

Implementation status: *The Department of Peacekeeping Operations has submitted information on standardized preparation costs for COE vehicles and other items of major equipment for consideration by the Phase V Working Group on Reimbursement of Contingent-Owned Equipment. A proposal was also made by the Department of Peacekeeping Operations to the Phase V Working Group to consider adding a factor to the wet/dry lease rate for inland transportation similar to the incremental transportation factor, which compensates troop contributors for re-supply transportation. As recommended, until such time as standard rates are approved, reimbursement for such services will be effected in accordance with the relevant United Nations financial and procurement rules. The Phase V Working Group, which met from 24 to 28 January 2000, deferred consideration of these items*

* An internal code used by the Office of Internal Oversight Services.

to its next meeting.

Recommendation 5

The Department of Peacekeeping Operations should streamline the current COE reporting requirements by developing an exception reporting system, resulting in reduced resource requirements and more timely processing of COE claims (AP99/78/5/05).*

Implementation status: ***The need for modifying the COE reporting requirements in the field was earlier recommended by the Department of Peacekeeping Operations and efforts are under way to elaborate a system that will satisfy both the Organization and the troop contributors. Detailed monthly reports on self-sustainment and the serviceability of each category of COE can be replaced with reports on exceptions to be submitted by the missions to the Logistics and Communications Service of the Department of Peacekeeping Operations for verification and, in turn, forwarded to the Finance Management and Support Service for certification.***

Recommendation 6

The Department of Peacekeeping Operations should finish processing the approximately $463 million backlog of COE claims due to troop contributing countries and clear the related unliquidated obligations as soon as possible (AP99/78/5/06).*

Implementation status: ***OIOS concurs that the Department of Peacekeeping Operations has taken adequate steps to implement the recommendation.***

Recommendation 7

The Department of Peacekeeping Operations should promptly recruit staff, develop standard operating procedures, provide necessary training, and properly maintain records in order to ensure that COE claims are processed quickly and efficiently (AP99/78/5/07).*

Implementation status: ***OIOS concurs that the Department of Peacekeeping Operations has taken adequate steps to implement the recommendation.***

Recommendation 8

The Department of Peacekeeping Operations should ensure that missions establish appropriate systems and procedures for reporting troop strength figures and regularly monitor the troop strength reports (AP99/78/5/08).*

Implementation status: ***OIOS concurs that the Department of Peacekeeping Operations has taken adequate steps to implement the recommendation.***

Recommendation 9

The Office of Programme Planning, Budget and Accounts should require that contingent troop strength reports be certified by mission Chief Administrative Officers before the claims are accepted for processing (AP99/78/5/09).*

Implementation status: *The Office of Programme Planning, Budget and Accounts noted that the Department of Peacekeeping Operations has indicated that it would review the system currently in place to determine whether changes are necessary and, if so, how they should be best put in place. Concomitant with the prospective action by the Department of Peacekeeping Operations, the Office of Programme Planning, Budget and Accounts stated that it would draw the attention of the Chief Administrative Officers of UNIFIL and UNDOF to the observations of OIOS in paragraph 27 above, and would send a new memorandum to all mission Chief Administrative Officers to remind them of their responsibility and accountability for the preparation, submission and certification of monthly troop strength reports to the Peacekeeping Financing Division of the Office of Programme Planning, Budget and Accounts.*

(*Signed*) Hans **Corell**
Under-Secretary-General
Overseer, Office of Internal Oversight Services